

The Auditor-General
Audit Report No.33 2000–2001
Performance Audit

Australian Defence Force Reserves

Department of Defence

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of Australia 2001
ISSN 1036-7632
ISBN 0 642 44257 6

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Canberra ACT
7 May 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Defence in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Australian Defence Force Reserves*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—
<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

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Abbreviations

A21	Army in the 21 st Century Study
ACRES	Assistant Chief of the Defence Force–Reserves
ADF	Australian Defence Force
ADFRU	Australian Defence Force Recruiting Unit
AIRN	Army Individual Readiness Notice
ANAO	Australian National Audit Office
ANR	Australian Naval Reserve
ARA	Australian Regular Army
ARMYTIMS	Army Training Information System
ARTS	Army Reserve Training Salaries
ASP97	Australia’s Strategic Defence Policy issued in 1997
CASAG	Chief of Army Senior Advisory Group
CENRESPAY	Central Reserve Pay System
CFTS	Continuous Full Time Service
CIT	Common Induction Training
CRT	Common Recruit Training
DEO	Defence Estate Organisation
DFRO	Defence Force Recruiting Organisation
DGRES–A	Director General of Reserves–Army
DRSC	Defence Reserves Support Council
FAPES	Forecast Activity, Planning and Estimates System
FTE	Full Time Entitlement
IET	Initial Employment Training
LCF	Latent Combat Force
LE	Loan Entitlement
LSF	Logistic Support Force
MAB	Defence Management Audit Branch
MLOC	Minimum Level of Capability
NCO	Non-Commissioned Officer

OLOC	Operational Level of Capability
PAF	Permanent Air Force
PMKEYS	Personnel Management Key Solution
PNF	Permanent Naval Force
RAAF	Royal Australian Air Force
RLO	Recruitment Liaison Officer
RTA	Restructuring the Army
SDSS	Standard Defence Supply System
SED	Single Entitlement Document

Summary and Recommendations

Summary

Introduction

1. Australia has long relied on citizens serving as part time members of its Reserve military forces to make a commitment in peacetime to train for war. Reserves have a proud tradition of service to the community in peace and war, and are an important link between the Australian Defence Force (ADF) and the wider Australian community. Historically, Reserve elements existed solely to assist rapid expansion of the permanent forces during mobilisation for war.

2. The 2000 Defence White Paper (*Defence 2000—Our Future Defence Force*) stated that *‘the strategic role for the Reserves has now changed from mobilisation to meet remote threats to that of supporting and sustaining the types of contemporary military operations in which the ADF may be increasingly engaged’*. Reserves are being given specific roles in defending Australia in short warning conflict, both as individuals and in units. In peace, they perform a number of essential military tasks on a permanent part time basis. The Reserves are a fundamental component of Australia’s military capability. The ADF Reserves include the Australian Naval Reserve, the Australian Army Reserve and the Royal Australian Air Force Reserve.

3. In recent years, Defence has conducted a range of studies aimed at making more effective use of its Reserve forces. Arising, in part, from these studies, the Government announced, in August 2000, a number of initiatives to enhance the ability of the ADF Reserves to contribute to ADF capabilities. To give effect to these initiatives, in March 2001, the Parliament passed the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2001* and the *Defence Reserve Service (Protection) Act 2001*. The legislation enables the ADF to undertake operations in any circumstances as a unified and integrated force consisting of permanent members and Reservists, subject to the decision by the Governor-General to call out part or all of the Reserve forces. In addition, the legislation included arrangements for employer and employee protection relating to Reserve service. In association with these changes, the Government approved funding to enable work to be undertaken for civilian accreditation of skills obtained through military training.

4. The objective of the ANAO audit was to assess the efficiency and effectiveness of the ADF's administration of its Reserve forces and to identify possible areas for improvement. The audit focused on major aspects of the Reserves including roles and tasks, force structure, capability, training, individual readiness, equipment, facilities, recruitment, retention, conditions of service and administration. The audit covered all three Services. However, due to its size and cost, the Army Reserve was a major focus of the audit activity.

Overall conclusion

5. The integration of the Permanent Naval Force and Australian Naval Reserve workforce is an effective means of delivering Navy capability during peacetime. However, Navy is effectively using a substantial proportion of its Reserve in a permanent part time capacity to overcome a significant shortfall in the recruitment and retention of permanent members. The ANAO considers that the use of Reservists in this manner could be depleting the Navy's ability to surge (increase its rate of activity at short notice in a military emergency); additional personnel to meet the increased activity might not be available in the short term.

6. A major issue confronting the Army Reserve is the need to develop suitable roles and tasks to reflect current strategic requirements. The ANAO also concluded that the collective military capability of the Army Reserve is very limited. Previous efforts to revitalise the Reserve have not been successful, largely because roles have not been clearly defined and resources allocated to the Army Reserve from the Defence budget have been insufficient to achieve the capability required by Army. There is a body of evidence indicating that the Army Reserve is not providing a level of collective capability commensurate with the resources being expended. Although a reasonable proportion of members are attending for sufficient time to develop these capabilities, the Army cannot ensure that groups of members attend at the same time to enable the development of the necessary cohesion and team skills to be fully effective.

7. At the time of audit, the posted strength of Army Reserve brigades ranged from 35% to 50% of their authorised personnel establishment, with the staffing of individual units as low as 19% of their establishment. The 'hollowness' of the existing force structure is a significant constraint on the capability of the Army Reserve. The maintenance of a large number of partially staffed and equipped Reserve units has been justified in the past as an expansion base from which to

generate additional capability. Given the current resource constraints, the fundamental force structure choice that may have to be made is between the maintenance of a relatively large, but poorly resourced and ill trained Reserve or a much smaller but better resourced and trained force that can supplement the permanent (Regular Army) force capabilities. The latter option would provide a more cost effective military capability useable in the short term and would require a rationalisation of the current force structure to a level that is sustainable in the long term.

8. The current role of the Air Force Active Reserve is to provide trained Reserve personnel who will be available for operational deployment or associated support activities during a contingency. At the time of the audit, proposals were being considered to develop appropriate structures to provide the capabilities to meet the requirements of a total Air Force and to provide a clear statement of the role and function of the Air Force Reserve. Current proposals for the Air Force Reserve will entail a considerable expansion over the present active establishment and will require greater effort to administer and train if they are to be an adequate supplement to the permanent force.

9. In recent years, the number of ADF Reserves recruited has fallen well below recruiting targets. Recruitment to the Army Reserve has failed to keep pace with the level of separations for more than 10 years. The shortfall in recruitment to the ADF Reserves has been attributed to a variety of factors, including rationalisation of ADF recruiting, increased emphasis on recruitment to the permanent forces, uncompetitive conditions of employment and competition for recruits in a buoyant economic climate. In Army, the introduction of Common Induction Training has had a major impact on recruitment. The length of this training poses a considerable difficulty for many potential recruits. The Army is now pursuing modular recruit training which divides the training into shorter blocks of time.

10. During the audit the ANAO sought to establish the full cost of maintaining the ADF Reserve forces. Defence was unable to identify the full cost but supplied a range of data on direct operating costs. Other costs were derived by the ANAO in consultation with Defence. The ANAO developed an indicative cost for ADF Reserves in 1999–2000 of around \$1 billion, of which over \$950 million was the cost of the Army Reserve. The ANAO was unable to obtain full cost information in respect of Navy and Air Force Reserves because of the integrated nature of their operations.

11. The current legislative proposals and associated measures are likely to have a major impact on Reserve service. At this time, it is difficult to predict the extent to which these initiatives will remedy the existing structural and readiness problems. However, the range of issues identified in this report will need to be addressed if the Reserves are to become a more effective component of the ADF.

Key Findings

Reserve Roles and Tasks (Chapter 2)

12. The development of appropriate roles and tasks is essential if Army Reserves, both individually and collectively, are to make a worthwhile contribution to Defence capability outputs at various levels of readiness. Suitable roles and tasks are a prerequisite for the development of an appropriate force structure and to ensure that the Reserve contribution to the combat force is sustainable. The roles and tasks that are developed should not be constrained by existing Army Reserve capabilities and force structure.

13. The ANAO considers that, if the Army Reserve is to become viable and effective, full regard must be given to the resources available to sustain the proposed roles and tasks. It is unlikely that the proposed changes will be effective if the available resources are spread too thinly over a large Reserve organisation or if Reserve personnel are not available to implement the new tasking. As such, the resource implications of the changes need to be fully understood. Any revised roles and tasks need to be realistic and achievable.

14. The ANAO suggests that the Air Force should develop a clear statement of the roles and functions required of its Reserve. This statement should be based on strategic guidance and the Air Force concept of operations; should complement the capabilities of the full time component; and should allow for the limited time availability of part time personnel.

15. The ADF's standby Reserves are an important resource that can be used to supplement the permanent forces. As such, the ADF needs to have an accurate and up-to-date understanding of the availability of standby Reservists, as well as their skill sets. The ADF would benefit greatly from the development of an accurate database of standby Reserve personnel that identifies their availability for military service and the currency of their skills.

Reserve Force Structure (Chapter 3)

16. The Navy has largely succeeded in integrating its permanent and Reserve forces into a force structure that is focused on achieving required Navy capabilities and on Australian Naval Reserve members becoming an integral element of the total force.

17. The broad structure of the Army Reserve has remained largely unchanged over several decades. It remains a conventional military structure with a hierarchy of division, brigade and battalion. The changed strategic role for the Reserves towards contemporary military operations, as outlined in the 2000 Defence White Paper, raises the question of the appropriateness of current Army Reserve structures to meet changing roles and tasks.

18. Army needs to base its Reserve structures on a concept of operations derived from strategic guidance and to develop these structures so that the Reserve complements, rather than simply duplicates, capabilities that exist in the full time component. The ANAO recognises that a degree of duplication may be required for force rotation, but the current Reserve force structure contains an unnecessary level of duplication.

19. There are compelling reasons for Defence to:

- continue with the rationalisation of the Army Reserve force structure; ensuring that it is based on strategic guidance, the Army concept of operations and on the outcomes of the Army's study of Reserve roles and tasks. This activity should include consideration of the essentiality of existing headquarters (at all levels) and their subordinate units; and
- take into account the resource implications of any restructuring so that the Reserve is sustainable in the long term and is able to produce the capabilities necessary to support and complement those of the full time component.

20. The ANAO considers that there is a need to review and rationalise the current Air Force Reserve structure and establishment. This should be undertaken as part of current efforts to develop a wartime/peacetime establishment model for the total Air Force. Ideally, an establishment model should be based on operational requirements and should integrate both Reserve and Permanent Air Force personnel.

Personnel, Training and Readiness (Chapter 4)

21. Army Reserve staffing figures reveal that there is a significant shortfall in the numbers of Captains and Non-Commissioned Officers. As Non-Commissioned Officers are key leadership positions, both for training and in the field, the shortage of personnel at these levels has significant implications for the development of future members. These shortages need to be addressed by Defence.

22. The current philosophy of maintaining common military trade structures, whereby the Army Reserve trade is a mirror of the Australian

Regular Army (ARA) trade, may not be sustainable. Reserve trade structures require review in order to develop trade training that can be completed by Reserve personnel and deliver a useful capability for Defence. This issue is the subject of ongoing study by Defence.

23. Each Service has set different attendance standards for its Reserve members to be deemed 'efficient'. Similarly, each Service has established a different standard for the maximum number of training days for Reservists. Although minimum periods for Reserve attendance have been determined, they are not strictly enforced. Overall effectiveness would be enhanced with tighter management of attendance standards. Failure to discharge members who are not satisfying minimum attendance standards can lead to membership numbers being overstated, with consequent implications for resourcing and capability planning. Similarly, the maximum period of attendance has implications for resource requirements. The substantial numbers of members exceeding the maximum limits may indicate either members attending unnecessarily or that the limits are no longer realistic.

24. In 1997, in introducing individual readiness standards, Army required all members, both ARA and Reserve, to meet the same standard. Air Force implemented readiness standards for its members in 2000 but Reserve members were exempt from most aspects applicable to permanent members. At the time of audit fieldwork, Navy was still developing a policy for the individual readiness of its personnel. It is expected to be released during 2001. The ANAO considers that, within each Service, there are sound reasons to have the same individual readiness standards for active Reserve and permanent members.

Resources and Costs (Chapter 5)

25. Each Army Reserve unit has a number of ARA personnel to assist with unit training. Their role is vital to the effective functioning of the unit. The cost of providing ARA personnel to participate in the administration and training of Reserve units is substantial both in resources and capability no longer available to full time units. The ANAO found that the direct cost of maintaining full time personnel in Reserve units is more than one third of the total direct costs of Reserve units. In these circumstances, it is essential that Army look to obtain an adequate return for this investment. The ANAO noted that, in some units, the full time members were not always at the appropriate rank and trade. The contribution of the full time members is integral to the success of Reserve units and, if the investment in providing full time personnel is to be justified, they must have appropriate skills to perform their assigned role.

26. During fieldwork inspections by the ANAO, most Reserve units noted that equipment levels were generally adequate for their training requirements. Some units were short of specific pieces of equipment and ammunition. Although Army records indicate that units are currently holding a surplus of equipment, this is probably due to a failure to update entitlements. The absence of a definitive assessment of the actual needs of Reserve units means there is no reasonable basis on which to develop resource plans for the Reserve. The ANAO considers that, in order to ensure equipment holdings are appropriate to the training needs of Reserve units, Army should undertake the proposed review of unit Single Entitlement Documents immediately following the determination of revised unit roles and tasks.

27. The issue of facilities planning is a complex and challenging task for Defence. It is evident that many older Reserve facilities need to be upgraded or replaced with facilities that provide the best environment for training. From a cost effectiveness viewpoint, the sharing of facilities offers significant benefits. Clearly, the location of facilities in areas offering the greatest potential in terms of population demographics has many advantages but these will change over time. The scope for lease, rather than purchase, may facilitate more frequent change of location to match demographic patterns.

Attraction, Retention and Conditions of Service (Chapter 6)

28. Improvements in the quality, capability and cost effectiveness of the Reserves would result from an increased emphasis on promoting the transfer of retiring full time members to the active Reserves. In view of the investment that has already been made in these personnel, as well as the cost of bringing a Reserve recruit to the same level of competency, there would be substantial cost savings in retaining former members on a part time basis. The development of a suitable package of incentives, together with a positive marketing strategy, should be justified on cost/benefit grounds.

29. Army has taken steps to address the recent shortfall in recruitment by introducing more flexible recruit training arrangements and establishing unit Recruitment Liaison Officers.

30. Retention problems will not be solved by financial inducements alone. However, there is evidence to suggest that improvements in conditions of service could be a useful complement. Elements that could be considered include assistance with studies, such as the payment of Higher Education Contribution Scheme fees, and the introduction of

proficiency bonuses to be paid on completion of specified periods of service and achievement of prescribed standards. Having regard to the costs associated with initial recruitment and employment training, the payment of a suitable proficiency bonus to retain trained and competent Reservists should prove to be cost effective.

31. In respect of conditions of service, it is apparent that Reservists are generally at a disadvantage in comparison with full time members. In view of the development of common competency standards for full and part time members and the integration of Reserves more closely into the total force, it would be appropriate to seek a closer alignment of conditions of service for part time members. Given the substantial costs involved in training new Reserve members, the costs associated with improved Reserve conditions of service are likely to be warranted if they lead to reduced separations and a marked increase in the transfer of full time members to the active Reserve.

Reserve Administration (Chapter 7)

32. The ANAO audit highlighted a range of issues relating to Reserve administration including the following:

- Reserve salaries – Defence’s Management Audit Branch found that, at the unit level, pay administration was inefficient and ineffective, due to inadequate training of unit personnel. Defence needs to develop a definitive policy on the management of Reserve training salaries and to provide appropriate training for all unit personnel.
- Army Reserve attendance and funding – Army should provide clear guidance to units on the methodology to be used in calculating Reserve training salary requirements. Funding bids should only be based on a realistic estimate of members likely to attend for training, having regard to wastage and recruitment levels.
- Recovery of Army issued field clothing and equipment – Army should develop more effective strategies and tighter controls for the recovery of Army issued equipment from former members.
- Information systems – Defence needs to provide appropriate support and training to Reserve staff for the operation of key computer-based information systems. In addition, the ANAO found difficulty in obtaining accurate data and in reconciling data from various sources within Defence.

Recommendations

Set out below are the ANAO's recommendations with report paragraph references and an indication of the Defence response. The ANAO considers that priority should be given to recommendations 1, 3, 9, 11, 12, and 13, indicated below with an asterisk.

***Recommendation No.1** The ANAO recommends that, in order to improve the effectiveness of ADF Reserves, Defence:

Para. 2.57

- a) complete the Army Roles and Tasks study at the earliest possible date and ensure that the implementation of new Army Reserve roles and tasks has full regard to the resources available to sustain the proposed changes;
- b) develop a clear statement of Air Force Reserve roles and functions consistent with the Air Force concept of operations; and
- c) ensure that the roles and tasks developed for Army and Air Force Reserves are based on strategic guidance, complement those of the full time component and allow for the limited time availability of part time personnel.

Defence response: a) Agreed.
b) Agreed.
c) Agreed.

Recommendation No.2 The ANAO recommends that, to better identify the capability provided by standby Reservists, Defence develop an accurate database of standby Reserve personnel that contains details of their suitability for military service and the currency of their skills.

Para. 2.69

Defence response: Agreed.

***Recommendation No.3**
Para. 3.64 The ANAO recommends that, in order to improve the effectiveness of the Reserves and to complement the capabilities of the full time force, Defence:

- a) complete the validation of the Navy Integrated Program Scheme of Complement and develop the systems required for the effective management of the Australian Naval Reserve;
- b) rationalise the Army Reserve force structure to a level that is sustainable in the long term, ensuring that it is based on the Army concept of operations, the outcomes of the Roles and Tasks study and the resources available to the Reserve; and
- c) further develop the Air Force Reserve structure and establishment, based on operational requirements, with the aim of ensuring that the Reserve complements the Permanent Air Force structure.

Defence response: a) Agreed.
 b) Agreed.
 c) Agreed.

Recommendation No.4
Para. 4.21 The ANAO recommends that Army assess the adequacy of Non-Commissioned Officer numbers for the rationalised Reserve force structure and, if necessary, develop appropriate measures to fill the required establishment, in particular through the attraction of retired Australian Regular Army members.

Defence response: Agreed.

**Recommendation
No.5
Para. 4.74**

The ANAO recommends that, in order to enhance Reserve training, Defence examine the feasibility of:

- a) developing special employment categories for Reserve personnel, based on sub-sets of the competencies required for full trade qualifications, that can be obtained as a base level qualification within Reserves' available training times, noting that this may be an incremental step towards achievement of a full qualification;
- b) increasing Army Reservist attendance at collective training activities, through measures such as specifying required periods of attendance and/or the payment of a suitable proficiency bonus; and
- c) reviewing recruitment to the Ground Defence Reserve and examining other options to provide this capability, including the use of Army personnel to perform certain aspects of airfield defence.

Defence response: a) Agreed.

b) Agreed in principle.

c) Agreed.

**Recommendation
No.6
Para. 4.113**

The ANAO recommends that, to improve the availability of appropriately trained and deployable Reserve personnel, Defence:

- a) ensure the Services monitor and enforce compliance with the minimum prescribed periods of service;
- b) ensure individual readiness standards for Navy Reserve personnel are formally promulgated;
- c) ensure that, within each Service, the same individual readiness standards apply to active Reserve and permanent members; and
- d) examine the feasibility of developing standards within each Service, specifying the minimum periods of annual service necessary for each Reserve category to achieve and maintain the necessary knowledge and skills required for proficiency at each rank and trade.

Defence response: a) Agreed.

b) Agreed.

c) Agreed in principle.

d) Agreed.

**Recommendation
No.7
Para. 5.24**

The ANAO recommends that, in order to match equipment holdings with the training needs of Army Reserve units, Army undertake the proposed review of unit Single Entitlement Documents immediately following the determination of revised unit roles and tasks.

Defence response: Agreed.

Recommendation No.8
Para. 5.33

The ANAO recommends that, to maximise the cost effectiveness of ADF Reserve facilities, Defence:

- a) revise its Reserve facilities policy and plans to take account of any changes to Reserve force structure; and
- b) consider leasing facilities for Army Reserve purposes (where it is economically viable to do so) to enable flexibility in relocating facilities to accommodate changes in demographic patterns.

Defence response: a) Agreed.

b) Agreed.

***Recommendation No.9**
Para. 5.39

The ANAO recommends that, to provide transparency of the costs of maintaining Reserve forces, Defence annually establish and publish the full cost of each Reserve Service and the capabilities provided.

Defence response: Agreed.

Recommendation No.10
Para. 6.8

The ANAO recommends that Defence develop a marketing strategy and a package of incentives, including appropriate improvements to Reserve conditions of service, as a means of increasing the rate of transfer to the Reserve of full time members on discharge from the permanent forces.

Defence response: Agreed in principle.

***Recommendation No.11** The ANAO recommends that Defence, with a view to improving recruitment opportunities:

Para. 6.37

- a) examine the feasibility of developing a wider range of recruit training modules designed to accommodate the different circumstances of part time Reservists;
- b) closely monitor the results of the recruiting initiatives developed by individual units and adopt those measures that prove to be particularly successful; and
- c) initiate studies on regional demographic factors which influence recruiting success.

Defence response: a) Agreed.

b) Agreed.

c) Agreed.

***Recommendation No.12** The ANAO recommends that, in association with any review of conditions of service for Reserve members, Defence:

Para. 6.77

- a) conduct studies to determine those conditions that are most influential in attracting and retaining Reserve members;
- b) assess whether the costs of any improvement in these conditions are likely to be accompanied by savings arising from increased retention, and transfers of retiring full time members to the active Reserve; and
- c) consider paying a suitable proficiency bonus to Reservists to recognise the achievement of prescribed standards for readiness, competency and attendance at training as a means of encouraging Reservists to stay in the Reserve force.

Defence response: a) Agreed.

b) Agreed.

c) Agreed in principle.

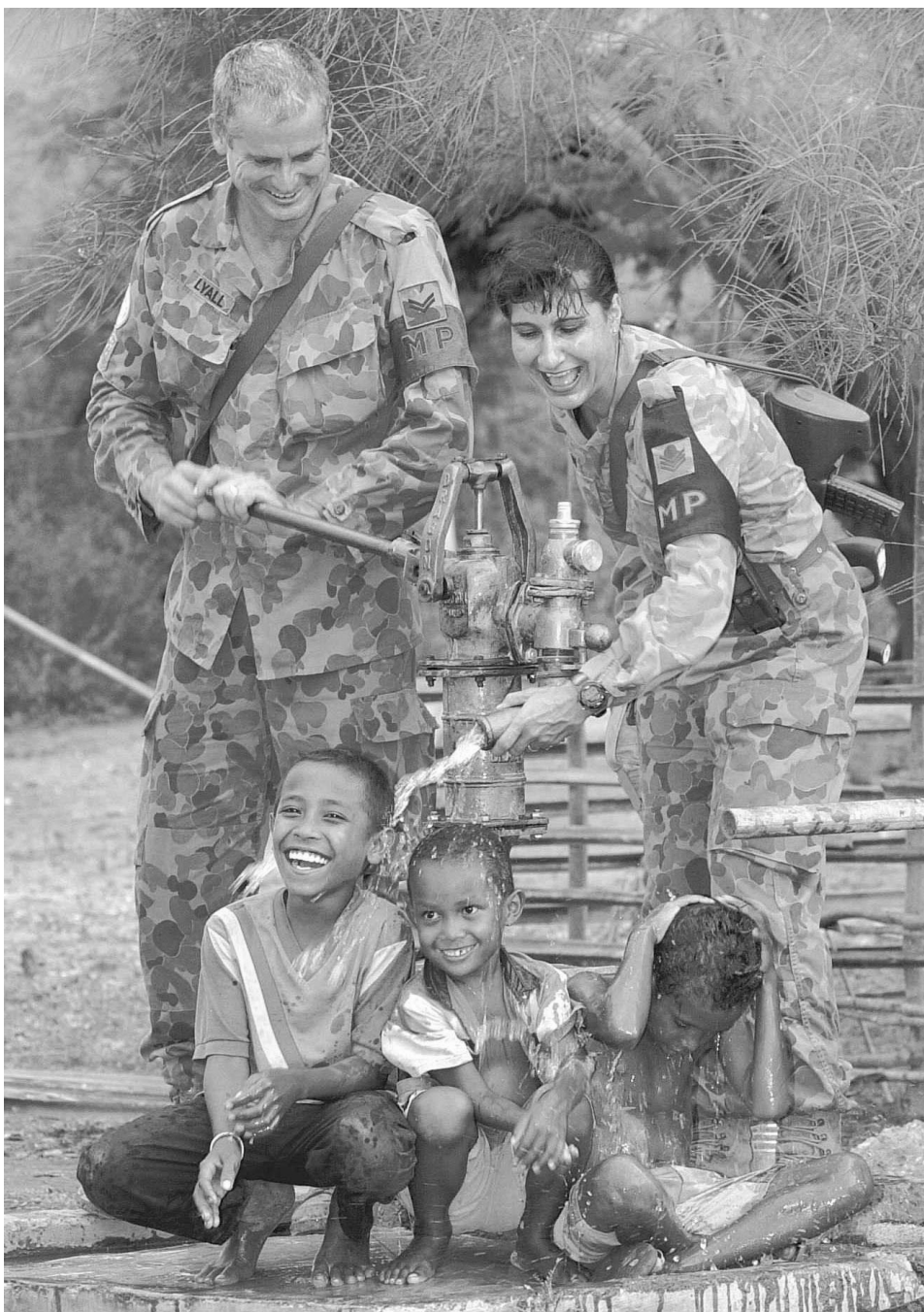
***Recommendation No.13** The ANAO recommends that, to improve the administration of ADF Reserves, Defence:

Para. 7.33

- a) provide appropriate training for unit personnel on the administration of Reserve salaries;
- b) develop a clear and comprehensive policy on the management of Army Reserve training salaries;
- c) exercise tighter control over the recovery of Army issued field clothing and equipment from former members and develop more effective strategies for its recovery; and
- d) provide appropriate support and training to Reserve staff in relation to the operation of Defence's key computer-based information systems.

Defence response: a) Agreed.
b) Agreed.
c) Agreed.
d) Agreed.

Audit Findings and Conclusions



Army Reserve personnel deployed on 'Operation Tanager', June 2000

1. Introduction

This chapter provides a background to ADF Reserves and examines aspects of legislative changes, the management of Reserve forces, the nature of Reserve service and its linkages to the community. It also sets out the audit objective, audit coverage and the structure of the report.

Background

1.1 Australia has long relied on citizens serving as part time members of its Reserve military forces, to make a commitment in peacetime to train for war. Reserves have a proud tradition of service to the community in peace and war, and are an important link between the Australian Defence Force (ADF) and the wider Australian community. Reserves represent over a third of the total personnel strength of the ADF.

1.2 Historically, Reserve elements existed solely to assist rapid expansion of the permanent forces during mobilisation for war. More recently, Reserves are being given specific roles in defending Australia in short warning conflict, both as individuals and in units. In peace, they perform a number of essential military tasks on a permanent part time basis. The Reserves are a fundamental component of Australia's military capability.

1.3 The Government tabled a Defence White Paper in December 2000. The White Paper explains the Government's decisions about Australia's strategic policy over the next decade and it outlines the Government's plan for the development of the armed forces. The White Paper stated that *'the strategic role for the Reserves has now changed from mobilisation to meet remote threats to that of supporting and sustaining the types of contemporary military operations in which the ADF may be increasingly engaged'*.¹

1.4 As part of the total force, the Reserves provide support to short notice operations in their initial phases, help to sustain operations and provide a surge capacity and strategic depth. To fulfil this role, Reservists must be competent (both in terms of individual and collective skills) and available, following appropriate preparation, for tasking on operations. Reservists provide a latent capability that can, and should, be used to enhance high readiness permanent forces.

¹ The White Paper *Defence 2000—Our Future Defence Force*, December 2000, p.69.

1.5 An important advantage Reserves have in relation to their permanent counterparts is that, while they are not called out or otherwise serving, they are less costly. This is because they are available for less time each year, spend less time training and often operate with less equipment. However, prior to deployment, Reserves will need to undergo an increased training tempo to reach operational capability. This training will require the allocation of significant resources. Consequently their cost will then be comparable to their full time counterparts. Therefore, at that time, Government and the ADF must expect to gain an operational return from those resources.

1.6 Resources need to be provided in peace to ensure the competence of the Reserves in time of conflict. In this respect, the ANAO asked Defence for data on the full cost of operating its Reserve forces. Defence was unable to identify the full costs but supplied a range of data on Reserve direct operating costs (eg. Reserve salaries). Other costs associated with maintaining the Reserves were derived by the ANAO, in consultation with Defence. It was agreed that an indicative cost for ADF Reserves in 1999–2000 was about \$1 billion, of which the cost of the Army Reserve was over \$950 million. This costing is detailed further in Chapter 5.

Legislative changes

1.7 Reservists can provide full time military service as volunteers or, under certain circumstances, can be compulsorily called out for full time military duty. However, there are political, legislative and practical limitations on the employment of Defence Reserves, particularly in comparison with permanent forces.

1.8 At the time of audit, the *Defence Act 1903* only enabled the call out of part or all of the Reserve forces in time of war or declared defence emergency (s50E), for periods of limited duration in the defence of Australia (s50F), or to protect the States from domestic violence other than in connection with an industrial dispute (s51). The limited applicability of this legislation placed significant constraints on the ability of the ADF to use Reserve forces to generate, deliver and sustain appropriate military capabilities.

1.9 In December 1999, a submission to Government proposed amendments to the *Defence Act 1903* (together with consequential amendments to the *Naval Defence Act 1910* and *Air Force Act 1923*) to enable the call out of members of the Reserve forces for continuous full time military service including ‘warlike, peacekeeping, peace enforcement, humanitarian assistance, civil aid and disaster relief’. At the same time, consideration was given to amendments to the *Defence (Re-establishment)*

Act 1965 to provide appropriate protection for Reservists and employers, to improve the financial conditions of service of members of the Reserve forces upon call out for continuous full time service and to facilitate the payment of incentives to employers and self employed Reservists. In March 2000, an interdepartmental Task Force was formed to examine the issue of employment protection of ADF Reserves and their employers.

1.10 Subsequently, in August 2000, the Government announced a number of initiatives to enhance the ability of the ADF Reserves to contribute to Defence capabilities. In March 2001, the Parliament passed the *Defence Legislation Amendment (Enhancement of the Reserves and Modernisation) Act 2001* and the *Defence Reserve Service (Protection) Act 2001*. The legislation enables the ADF to undertake operations in any circumstances as a unified and integrated force consisting of permanent members and Reservists, subject to the decision by the Governor-General to call out part or all of the Reserve forces.

1.11 The Army Individual Emergency Force is a component of the permanent force, being established under legislative provisions covering the Regular Army Emergency Reserve. It provides a list of trained individual volunteers from both the permanent and Reserve components of the Army to assist in the expansion of the Army in times of emergency.² Navy and Air Force have not raised 'emergency forces' since 1974 and 1973 respectively. Emergency forces have been phased out under the current legislative amendments.

Management of Reserve forces

1.12 In the Defence White Paper, the Government identified the need for a more effective Reserve component. The White Paper detailed supporting policy initiatives which are under way or being developed, including:

- legislative provisions governing the use and employment of Reserves, as well as protection and support measures;
- strengthening linkages with the community;
- improved training; and
- better recruitment and retention strategies.

² Report of the *Committee of Inquiry into the Citizen Military Forces*, Parliamentary Paper No. 56, 1974, p.24 and Project Standby, July 1999, p.12.

1.13 The position of Assistant Chief of the Defence Force—Reserves (ACRES) and the Office of ACRES are located within ADF Headquarters and come under the direct command of the Vice Chief of the Defence Force. The mission of this position is *‘to enhance Defence force capability through effective and efficient policies and support for the Australian Defence Reserves’*. ACRES employs a holistic approach to military capability, using a ‘whole of Reserve’ capability model to improve the Reserve contribution to total ADF capability. The ‘Whole of Reserve Capability Equation’ is illustrated at Appendix 1.

1.14 ACRES has a policy oversight role across a number of areas of responsibility that collectively improves Reserve capability. The concept of creating a cohesive and supportive environment through engaging a wide range of stakeholders is seen by Defence as fundamental to the Reserve contribution to military capability. Through policy oversight and consultation, ACRES is able to provide advice and guidance on strategic Reserve issues to the Chief of the Defence Force and to Defence capability forums.

1.15 The determination of the appropriate balance between permanent and Reserve forces to meet capability requirements is the responsibility of each Service. ACRES does not have responsibility for, or direct involvement in, the provision or generation of Reserve force capability within each Service. ACRES facilitates and contributes to tri-Service Reserve capability through the development and delivery of support processes, such as policy, availability support measures and other enabling mechanisms.

1.16 ACRES has responsibilities to provide improved and more effective communications with civilian employers and the general Australian community. The Defence Reserves Support Council (DRSC), of which ACRES is a member, is the government’s peak advisory body on Reserve matters. One of the initiatives detailed in the Defence White Paper was the augmentation of the DRSC, with a wide-ranging charter to liaise with stakeholder groups on matters affecting Reserves availability and to act as an interface with the Government and the ADF. The council comprises 27 members with broad representation from employer, business, youth and trade union groups, as well as members from ethnic community councils, the media and education sectors and the single Services. The DRSC will also work towards improving acceptance within the wider community of Reserve service and to increase Reservist availability and retention.

1.17 There are various categories of Reserves within the ADF. Each Service has different nomenclature and training commitments. In association with the proposed legislative changes, consideration is being given to adopting revised ADF nomenclature to describe Reserve service, eg. 'Active Reserves', 'High Readiness Specialist Reserves' and 'Standby Reserves'. If adopted, this nomenclature is likely to be achieved through Regulations and administratively through Defence Instructions. This report generally uses the terms 'active' and 'standby' when referring to Reserve members with and without a training obligation respectively. The arrangements in each Service are outlined below.

Royal Australian Navy

1.18 The Australian Naval Reserve (ANR) has two major components: the General and Standby Reserve. All ANR members may volunteer for continuous full time service. Members of the General Reserve have an annual training commitment of between one and 150 days, depending on Navy's requirements. The General Reserve has two elements:

- Integrated Program—comprising those Reservists who are required on an ongoing basis by individual units to supplement their full time strength in order to train and to meet everyday approved Navy capability delivery commitments; and
- Project Program—comprising those Reservists who are employed on an *ad hoc* basis to fill vacant permanent Navy billets or to undertake project type employment.

1.19 The Standby Reserve has no annual training obligation and currently may only be 'called out' in times of national emergency. Standby Reserve members may volunteer for continuous or non-continuous service at any time.

1.20 There is a significant level of transfer to the ANR by former permanent members of the Navy. They contribute to Navy capabilities by providing trained personnel to serve on a part time basis through the Integrated Program on a fully integrated basis. In addition, direct recruitment is made to selected employment categories such as naval control of shipping, divers, and medical, dental and legal professionals.

1.21 The management of the ANR has undergone significant changes in recent times. The Director General of Reserves—Navy now has responsibility for ANR capability development and Reserve and community liaison. Personnel management of the ANR now rests with the Commander Australian Navy Systems Command, who has responsibility for coordinating all people activities and policies. Most General Reservists occupy billets in the Integrated Program Scheme of Complement³ and come under the control of the unit or establishment where the billet is located. Similarly Reservists on the Project Program would be responsible, for the duration of the project, to the organisation or unit sponsoring the project.

Australian Army

1.22 Under the *Defence Act 1903*, the Army has two categories of Reserve: Active and Inactive. The Active Reserve comprises two components: the General Reserve and the General Reserve Special Reserve. The General Reserve has a minimum annual training commitment of seven days for specialist consultants and 14 days for all other categories of enlistment. The General Reserve Special Reserve contains members enlisted under the former Ready Reserve Scheme, which was discontinued by the present Government.⁴

1.23 Members of the Inactive Army Reserve have no annual training obligation, but are subject to call out under the *Defence Act 1903*. It contains former members of both the Australian Regular Army and the Active Reserve who may be called on to undertake specific tasks or projects or supplement short term personnel shortfalls.

1.24 Within Army Headquarters, the Director General of Reserves—Army (DGRES-A) is responsible to the Chief of Army for advice on policy, procedures and practices which affect the development, operation, training, administration and mobilisation of the Army Reserve. The Director General Personnel—Army organisation includes the Active and Standby Staff Group, which is a pool of part time officers who can undertake sponsored projects and activities. The majority of active Reservists belong to five regionally based brigades that make up Army's 2nd Division under Land Headquarters. The major Reserve formations in the 1st Division are 11 Brigade and a Reserve element integrated with permanent soldiers in 7 Brigade. The Regional Force Surveillance Units, comprising mainly Reserve personnel, are direct command units of Land Headquarters.

³ 'Scheme of Complement' refers to Navy billets (positions) at each rank and category that have been formally approved for staffing Navy shore establishments and ships.

⁴ Details of the Ready Reserve Scheme are outlined in Appendix 2.

Royal Australian Air Force

1.25 The Air Force Reserve is structured into three major groups: Active, Specialist and General Reserve. The function of the Reserve is to supplement Air Force operational capabilities and training and logistic support systems in the event of a defence emergency or contingency, and to contribute to the Air Force capacity to undertake peacetime tasks.

1.26 The role of the Active Reserve is to provide trained Reserve personnel who will be available for operational deployment or associated support activities during a military contingency. The Specialist Reserve provides (on an on-call basis) personnel with selected professional skills that would be uneconomical to retain in the Air Force on a permanent basis, such as specialist medical practitioners and lawyers.

1.27 Members of the General Reserve have no annual training obligation. On leaving the Permanent Air Force (PAF), all airmen/airwomen are required by Regulation to transfer to the General Reserve for a period of five years and are included in the General Reserve Group. The Reserve Staff Group contains former PAF personnel who volunteer for Reserve service and may be employed on projects. Because of the nature of the work required from this group it is made up primarily of more senior officers and Non-Commissioned Officers.

Nature of Reserve service

1.28 Defeating attacks against Australia has been a major policy concern since Federation. In the two decades that followed the end of the Vietnam War it served as the central basis for Australian defence policy. It is still the primary determinant of the ADF force structure. Since Australia's interests are not solely located on the Australian continent, the ADF must be capable of effectively conducting military operations across a spectrum of scenarios, such as:

- defeating attacks against Australia;
- defence of regional interests;
- defence of global interests;
- protection of national interests; and
- shaping the strategic environment.

1.29 Army employs Reserve personnel both as individuals and in formed bodies up to brigade size. Individuals or small groups may be held at higher levels of readiness to support deployments, as reinforcements or rotation forces. Reserve personnel can be used to complement and supplement capabilities provided by permanent forces in the following ways:

- peacekeeping;
- humanitarian or international aid support;
- emergency relief in response to national disasters, fires or civil emergencies; and
- expansion/mobilisation base.

1.30 Although the ultimate requirement is for appropriately trained Reservists to be available to respond to call out, there is a natural progression in relation to Reserve availability, and each level is important. Individual Reservists will need to be available in order to gain initial military skills, to maintain and develop those skills, to serve as volunteers on both part time and full time service in peacetime, and serve on a full time basis when 'called out' in peacetime, defence emergency and war.

1.31 Reserves recruited directly from the community, particularly for the Army and the Air Force Airfield Defence Guard, must undergo specific and mandatory initial training. Reserve recruits must, ultimately, achieve the same core skill competencies as their permanent counterparts. For Navy and Air Force, the training of recruits is not such a major issue because, proportionally, more Reserves transfer from the permanent forces. Members transferring from the permanent forces do not require initial training, because personnel are already fully qualified in military and specialist skills.

1.32 In peace, Reserve service generally precludes lengthy periods of continuous military training. Therefore, it is difficult for Reserves to be proficient in the full range of military skills involved in modern warfare, especially those requiring large-scale collective training. Formed Reserve units carry out limited collective training in peace, and would require additional collective training after call out to achieve full operational capabilities.

1.33 The Navy and Air Force do not generally maintain operational units comprised primarily of Reserves. Instead, skilled Reserve personnel are integrated individually or in small numbers into permanent operational and support units. The Navy and Air Force maintain only a

relatively small number of active Reserves and obtain additional volunteers from the standby Reserve who bring with them skills and experience from previous permanent service.⁵

1.34 The voluntary and part time nature of Reserve service places limitations on both recruitment and retention, as it has to compete with the Reservists' other commitments to family, employment, personal development and leisure activities. If the Reserve service cannot be reconciled with a Reservists' changing personal commitments, the member may seek discharge.

Reserves and the community

1.35 Reserve personnel offer the total force many significant benefits. They bring to the ADF a range of skills acquired in their day-to-day lives. Some of these skills are useful during conflict but are not maintained in the permanent force (or only held in small numbers) due to lack of demand, for example, medical and legal skills. Reserves can bring best practice civilian management, professional and trade skills to enhance ADF processes. Where full time activity is not needed in peace, and high readiness levels for conflict are not a concern, Reserves can provide a cost effective capability.

1.36 Reserves learn skills in the Services that often benefit the civilian workplace and they provide the ADF with unique paths into the community at large. This relationship can foster community support, enhance the ADF's public image and profile, and generally raise community acceptance of the ADF. The link also works in reverse, with the Reserves providing a positive influence on the ADF through the expression of fresh ideas and attitudes gained through contact with the wider community. This helps ensure that the ADF does not become insular and unrepresentative of the community that it serves.

1.37 The facilities, equipment and skills in Reserve units across Australia have the potential to provide valuable emergency relief assistance to the civil community. Such assistance also promotes closer contact and understanding between Defence elements and local communities.

⁵ This report generally uses the term 'standby' Reserve when referring to Reserve members without a training obligation.

The audit

1.38 The objective of the ANAO audit was to identify possible areas for improvement in the ADF's management of its Reserve forces. The audit focused on major aspects of the Reserves including roles and tasks, force structure, capability, training, individual readiness, equipment, facilities, recruitment, retention, conditions of service and administration. The audit covered all three Services. However, due to its size and cost, the Army Reserve was a major focus of the audit activity.

1.39 Over the past 25 years a series of reviews have identified various issues relating to the effectiveness of the ADF Reserve forces but attempts at improvements have been largely unsuccessful. A summary of some of the major reviews in the past 10 years is at Appendix 2. Currently, Defence is conducting a range of reviews examining aspects of Reserve service and these could have a significant bearing on the future form and structure of ADF Reserve forces. In addition, in August 2000, the Defence Subcommittee of the Joint Committee on Foreign Affairs, Defence and Trade tabled a report that contained comments and recommendations relevant to the Army Reserves.⁶ The ANAO audit contains references to these reviews.

1.40 Relevant ANAO audits include a major audit of the Army Reserve in 1990, that raised issues about the ability of the Army Reserve to meet its major objectives,⁷ and an audit of the Army Individual Readiness Notice in 1999, that revealed the need for an improvement of Reserve individual readiness levels.⁸

1.41 In view of the Government's decision to enhance the Reserves to undertake a wider range of activities, it was considered appropriate to conduct a performance audit of ADF Reserves, to assess their ability to respond to the new challenges confronting them.

1.42 The audit was conducted using the following primary criteria:

- Reserve roles and tasks should be clearly defined, achievable, contribute to required ADF capabilities and be consistent with national strategic Defence guidance.
- Reserve organisational structures should be appropriately derived from required roles and tasks and should supplement and complement

⁶ Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000.

⁷ ANAO Audit Report No 3 1990–1991, *Australia's Army Reserve*.

⁸ ANAO Audit Report No 26 1999–2000, *Army Individual Readiness Notice*.

the capabilities provided by the full time component. Reserve formations should have appropriate levels of trained personnel and essential equipment, consistent with their required roles and tasks.

- Performance measures should exist to determine whether Reserve units and members are capable of performing required roles and tasks and whether they can be deployed within specified readiness notice.
- Reserve training should be derived from required roles and tasks and should be arranged to take account of constraints on the availability of Reserve members.
- Appropriate Reserve recruitment activities should be undertaken to meet Service targets, to focus on areas with appropriate population demographics and to maximise the number of transfers to the Reserve by former full time members on completion of their service with the permanent forces.
- Reserve conditions of service should, wherever possible, be similar to those of the permanent force, consistent with the total force concept.
- Adequate systems and procedures should be maintained to accurately record all aspects of the Reserve forces and to provide required reports to senior management.

1.43 Audit fieldwork was conducted substantively in the period from June to September 2000. The audit covered a wide range of activities within Defence and involved extensive discussions and review of documents. Matters were discussed with relevant areas of Defence throughout the audit and the audit findings were responded to in a positive manner.

1.44 A discussion paper consolidating the findings from the audit was provided to Defence in December 2000 and exit interviews were held in February 2001. The proposed report of the audit was put to Defence in March 2001 for comment. A consultant, Mr Brian Boland PSM, was engaged to provide expert advice to the audit team on Reserves' organisation, administration and conditions of service, and the ANAO appreciates the significant contribution he made to the audit. The audit was conducted in conformance with ANAO auditing standards and cost \$370 000. Figure 1 outlines the chapter structure of the report.

Figure 1

Chapter structure of the report



2. Reserve Roles and Tasks

This chapter outlines the current roles and tasks undertaken by Reserve forces as well as the development of these roles in each Service. The chapter also considers issues relating to Reserve personnel who have no annual training obligation.

Introduction

2.1 The concept of a total force is a major factor in determining the roles and tasks to be undertaken by Reserve forces. This concept stemmed from a 1974 report of the *Committee of Inquiry into the Citizen Military Forces* chaired by Dr. T B Millar of The Australian National University.⁹ The report outlined the importance of Reserve forces in national defence and set out principles for the organisation, training, equipment and conditions of service of Reserve forces. The central recommendation of the report was to propose a total force. Australia should have one army of which the Australian Regular Army and the Army Reserve were to be the principal elements. The Services have taken steps towards the development of a total force. A range of studies supporting this approach are referred to later in this chapter.

2.2 Reserves potentially provide a significant capability for the ADF, for example, Regional Force Surveillance Units, which draw on the special skills of Aboriginal and Torres Strait Islander members. In addition, Reserves provide specific support to the ADF, for example, specialist surgeons and naval control of shipping personnel.

2.3 As part of the total force, Reserves have contributed increasingly as volunteers to Australia's international defence activities. Members with appropriate skills and military training have volunteered and served for periods of full time duty in deployments to places such as the Western Sahara, Cambodia, Somalia and Rwanda. During peacekeeping activities in East Timor, some 400 Reserve members were accepted for service and many more volunteered to serve. As part of Operation Gold some 2400 members assisted in the conduct of the Sydney Olympic Games.

2.4 Reserve service allows permanent members leaving the ADF to serve on a part time basis, so the ADF continues to use their skills and experience. In some cases, these skills are not available in the civilian community. This transfer of skills and experience also benefits the Reserve component and establishes linkages that strengthen the total force.

⁹ Report of the *Committee of Inquiry into the Citizen Military Forces*, Parliamentary Paper No. 56, 1974.

2.5 Having regard to the environment in which they operate, each Service has developed a separate approach to the manner in which it utilises its Reserve component. The Navy and Air Force do not generally maintain operational units consisting predominantly of Reserves. Instead, skilled Reserve personnel are integrated individually or in small numbers into permanent operational and support units. The Navy and Air Force maintain only a relatively small number of active Reserves, predominantly former permanent members, and obtain additional volunteers from the standby Reserve who bring skills and experience from previous service.

2.6 The Army also employs Reserves in this way, but it maintains formed units of mostly General Reserves, the majority of whom are recruited directly from the civilian population. These units make up over half of the Army's combat force. The principal difference between permanent and Reserve units is in their level of experience and collective training. Therefore, on call out, Reserve units need a period of intensive full time collective training before they would be ready for their assigned mission.

2.7 Details of the manner in which each Service utilises Reserve elements follow.

Australian Naval Reserve

2.8 Section 19 of the *Naval Defence Act 1910* provides for the formation of the Australian Naval Reserve. The ANR consists of officers appointed to, and sailors enlisted in, that force, and officers and sailors transferred to that force from the Permanent Naval Force (PNF). The ANR is structured to provide for:

- predictable augmentation of the PNF upon call out for defeating attacks on Australia; and
- assistance to the PNF in defending Australia's regional and global interests.

2.9 Augmentation is achieved through voluntary service in line with peacetime tasking as part of an integrated workforce, or as a project conducted for the Navy within a specific capability area. Although legislated as a force separate to that of the PNF, the ANR is not arranged into an organisation that is separate to that of the PNF. The total force philosophy sees ANR resources employed by the Navy and managed by a Navy manager. Navy based management of ANR resources ensures identical levels of accountability for both PNF and ANR activities and the availability of PNF expertise and knowledge to address management and policy issues.

2.10 Over the last 10 years the ANR has developed into:

- a General Reserve of personnel who undertake a service commitment of between one and 150 days in each training year, including a group of 'High Readiness' personnel who are available to surge without further training; and
- a Standby Reserve of personnel who have no annual training commitment but who may be employed at any time to meet a capability shortfall.

2.11 The employment of the High Readiness group has increased over the last five years, particularly as the Navy has found it difficult to recruit to a range of categories of employment. Although many of these personnel have been former members of the permanent Navy, a range of them have been recruited directly from the civilian population and have still been able to achieve and maintain the necessary level of skill through higher levels of involvement.

2.12 In October 1999, a paper exploring enhancement of ANR availability was submitted to the Chief of Navy. The paper suggested changes to employment and tasking to further develop the readiness of personnel who were able to undertake more substantial periods of service. Although this group remains relatively small in number, it represents a strong argument for the creation of a Higher Readiness Reserve or Operational Active Reserve drawn from that part of the working population of Australia who are not in full time employment, being either part time/casual workers, contractors or self employed.

2.13 Force generation issues for the ANR centre on Navy capabilities, with the structure of the Navy total force under constant review to keep pace with changing Navy capability requirements. Current Navy capability requirements involving ANR employment include aviation, chaplaincy, diving, health services, legal, mine warfare groups, minor war vessels, musicians, naval control of shipping, naval intelligence and psychology. Additional tasking that ANR personnel could be involved in during mobilisation includes:

- personnel to staff headquarters, ships, fleet bases and recruiting areas;
- transport and logistic support functions;
- provision of specialist detachments and liaison support for 'Ships Taken Up From Trade' and chartered ships;
- public affairs/media liaison; and
- support to the Defence community organisation.

2.14 Defence noted that the creation of the General Reserve and establishment of Integrated Program billets has enabled Navy to fully integrate its Reserve members within the total work force to meet Navy capability. Both ANR and PNF members are able to rely on a regular availability and commitment to augment Navy capability. The Integrated Program provides the ANR General Reserve members with certainty of training, employment and remuneration. Standby Reserve and General Reserve members are available to meet surge requirements and may offer themselves for *ad hoc* training at any time.

Australian Army Reserve

2.15 At the time of audit fieldwork, Army Reserve roles were derived from guidance issued in the 1987 Defence White Paper—that document recommended an expanded role for the Reserves.¹⁰ The White Paper judged that the Reserves could deploy to take over protective tasks in northern Australia, relieving the earlier deployed, higher preparedness, full time force to enable it to undertake mobile offensive operations against enemy incursions. The White Paper also indicated that greater use of Reserves to meet long lead-time expansion base tasks was appropriate.

2.16 Australia's Strategic Policy issued in 1997 (ASP97) expanded the range of potential activities in which Army may engage and thus places greater demands on the total force. Mobilisation timeframes were assessed to be long. Defeating attacks against Australia remained the highest priority and ultimate force structure determinant, though not the highest probability task for Army. Consequently, at the very least, the nucleus of an expansion base was to be maintained.

2.17 ASP97 acknowledged the need to retain and improve the part time component of the force. However, it also noted the challenge faced by part time soldiers in an increasingly high technology environment. The implications of changing strategic policy and early guidance on readiness also challenge current concepts related to the structure and employment of part time soldiers.

2.18 The 2000 White Paper noted that the strategic role of the Reserves has changed from mobilisation to meet remote threats, to that of supporting and sustaining contemporary ADF military operations. It noted further that the contribution of the Reserves will be essential to the maintenance of the ADF's operational capabilities.¹¹

¹⁰ *Defence of Australia: a policy information paper*, 1987.

¹¹ *Defence 2000—Our Future Defence Force*, December 2000, pp.xii and xiii.

2.19 The Reserve currently provides the following capabilities:

- individual specialists with specific areas of expertise eg. in the medical and dental professions;
- a reinforcement and roundout capability of both individuals and formed bodies (probably not above sub-unit level); and
- an expansion base for protective and security formations, but arguably not for large scale manoeuvre formations.

2.20 At the time of audit Army was implementing the Army Management Framework (AMF). Army advised that under AMF, all Reserve unit activity planning is to be based on, and clearly linked to, the capability outcomes that the activity is intended to support. The AMF is described in more detail in Appendix 3.

Restructuring the Army

2.21 The 1994 White Paper announced the intention to conduct an internal Defence study into the structure of the Army, including Reserve components, to be completed by late 1995.¹² Referred to as the 'Army in the 21st Century' (A21) study, its aim was to define, in the context of Defence of Australia tasks, the appropriate force structure of the future. The sustainability of Reserve forces in meeting the needs of higher readiness integrated units was also studied.

2.22 The study provided the Government with a basis for its 1996 Restructuring the Army (RTA) plan, which detailed how, in the short term, Army could improve its capability and readiness. The plan particularly emphasised operational improvements through enhanced mobility, surveillance, equipment and training. The A21 study was the first time that a comprehensive effort was made to model the Reserves against strategic requirements and make them part of the total force.

Re-vitalisation of the Reserves

2.23 In 1996, as part of the RTA process, the Chief of Army issued a directive detailing measures to be implemented for revitalisation of the Reserve.¹³ The intention was to improve the capability of the Reserve to respond effectively to threats to Australia's security interests. Re-vitalisation was to be achieved by increasing the operational availability of the Reserve component by:

- increasing recruiting, retention and availability;
- increasing individual and collective competency through enhanced and innovative training;

¹² Defending Australia, Defence White Paper 1994.

¹³ Department of Defence, Chief of the General Staff Directive 10/96.

- increasing access to modern mission-essential equipment; and
- improving administrative support.

2.24 The intention of the program was to commence a series of enhancement initiatives in 4 Brigade, 7 Brigade and 13 Brigade, progressively measuring and reporting on outcomes as a basis for the generation and programming of changes across the entire part time component. Increased numbers of full time personnel were to be posted to part time units. The objective was a minimum of 10% of full time personnel in each of those brigades.

2.25 The aim of the revitalisation initiatives in 4 Brigade was to *'transform the General Reserve in Victoria from an organisation of uncertain capability to one that could be manned, trained and able to mobilise as part of the Army's war fighting capability'*.¹⁴ The brigade was given until the year 2000 to achieve an operationally viable formation capable of protective operations for tasks in defence of Australia, up to unit level in a formation setting, at an enhanced readiness notice.

2.26 In February 1999 the Department's Management Audit Branch reported on an audit of the revitalisation of 4 Brigade in which it found that:¹⁵

- Personnel and equipment shortfalls meant that the 4 Brigade revitalisation efforts were clearly unable to meet the crucial primary goals of being suitably manned, equipped and trained to achieve operational viability at specified Minimum Level of Capability¹⁶ in accordance with Army's tasks.
- 4 Brigade has, however, been successful in attaining higher levels of individual and collective competencies due largely to a sustained increase in resource dollars for Cash Limited Administrative Expenses, Direct Unit Funding, Army Reserve Training Salaries, rations and ammunition.
- 4 Brigade has produced some recruiting successes but, without recruitment targets being set for particular employment categories, recruiting focused on generalist positions, notwithstanding the existence of particular establishment requirements according to unit roles.
- Higher level training directives and objectives were too general and wide ranging to be immediately applied at the unit level. This made the system cumbersome and inefficient. Training directives ignored

¹⁴ Defence Management Audit Branch Report, *Revitalisation of 4 Brigade*, 22 February 1999, p.1.

¹⁵ *ibid*, p.7

¹⁶ 'Minimum Level of Capability' is the minimum level at which force elements can achieve their 'Operational Level of Capability' within assigned readiness notice.

matters such as the allocation, availability, type and estimated cost of resources.

- The concept of revitalisation and the enhanced operational availability of the General Reserve are inconsistent with a part time organisation that relies on manual records, manual data processing and obsolete methods of communication.

2.27 An Army situation report in August 1999, concerning the revitalisation trial, stated that the trial had resulted in improved individual training standards and that the revitalised brigades were more capable of planning and executing collective activities than they were prior to revitalisation. Other consequences of revitalisation were noted to be improved manning and equipment levels and improved levels of administrative support.

2.28 The revitalisation objectives were never fully realised due to a range of factors, including:

- the redirection of resources to higher priority tasks such as the increase in 1 Brigade readiness, the deployment to East Timor and Operation Gold (ADF support to the Sydney Olympic Games);
- the early termination of the revitalisation trial; and
- the adverse impact on recruitment and retention of factors such as a buoyant private sector labour market and the move to common training competencies.

2.29 Although the revitalisation initiatives were initially successful and there was an improvement in both the numbers and capabilities of the part time elements, this improvement has not continued.

Restructuring the Army—Reserve Study

2.30 In 1996 the Army initiated a comprehensive review of its force structure, based on an assessment of required capabilities. The Restructuring the Army process identified six strategic objectives and each of these contained a number of supporting enabling objectives. The purpose of the RTA Strategic Objective 3 was to examine sustainability aspects of the Enhanced Combat Force.¹⁷ Enabling Objective 3.2 also known as 'the Reserve Study' forms part of this objective. This Study was divided into two parts focusing on:

- the factors contributing to a sustainable Reserve component of the Enhanced Combat Force; and
- achievable (including affordable) roles and tasks for the Reserve component.

¹⁷ The Enhanced Combat Force is to be based on an integrated Army consisting of modern, highly mobile forces.

Reserve Sustainability Study

2.31 The first part of the study, completed in December 1998, identified the following points as decisive for a sustainable Reserve:

- a Reserve force based on Army strategy which maintains an expansion base for 'Defence of Australia' tasks while simultaneously providing complementary capabilities for the 'Defence of Regional Interests', 'Defence of Global Interests' and 'Protection of National Interests';
- a regional interest based on sustainable recruiting;
- a package of incentives to encourage Reserve retention for three to five years' service and, critically, to attract trained personnel leaving full time service;
- common competency individual training that delivers sufficient numbers of Reserve members, compliant with the Army Individual Readiness Notice, to units for the conduct of collective training;
- adequate equipment and resources to conduct role related collective training—the number and type of units limited to that which can be adequately resourced;
- sufficient full time personnel to assist with the planning, safe conduct, resource management and evaluation of training to a common competency standard;
- packages of conditions of employment and service that bind individuals to serve while encouraging the transfer, attendance at training and retention of qualified personnel;
- employer support measures that enhance individual availability; and
- legislation enabling call out short of on-shore operations in defence of Australia and providing employment safeguards for Reserve personnel.

2.32 The major finding from the study was that the 'centre of gravity' for a sustainable Reserve contribution to Army capability was the identification of suitable roles and tasks.

Roles and Tasks study

2.33 At the time of the audit, Army was conducting a Reserves Roles and Tasks study to complete the second part of Enabling Objective 3.2. The initial findings of this study were presented to the Army Capability Management Committee in October 1999. The study team has developed a task structure across the key functions of capability against which potential Reserve contribution could be assessed. The task structure incorporated the current list of Army Tactical Tasks, but also necessitated the development of task lists to appropriately describe the key functions

of force generation, deployment/recovery and sustainment. Identification of this range of tasks provided a basis for development and analysis of Army's capability requirements. The methodology was further developed during 2000 and subsequent refinement led to the inclusion of 'force protection' as a fifth element of capability.

2.34 During the development of the methodology for the Reserves roles and tasks a paper entitled *A Strategic Rationale for the Army Reserve of the 21st Century* was prepared. This paper advanced a strong conceptual argument for the integrated Army, thereby providing a foundation from which to derive specific Reserve contributions. The study also conducted an analysis of the Reserve's ability to make individual and collective contributions to the wide range of tasks that underpin Army's capabilities. This analysis provided a list of tasks the Reserves can undertake collectively within 28 days readiness notice and their ability to contribute to all tasks undertaken by Army. The analysis did not provide the structure to re-role Reserve units but provides the foundation from which decisions can be made regarding the contribution of the Reserve to Army's current and future capability requirements.

2.35 Key assumptions of the Roles and Tasks study were that, in a collective sense, Reserves provide only a very limited readily deployable capability and, after a call out period of 30 days, a readiness notice of 270 days would be required for a complete unit to be ready for operations. However, many individuals and smaller elements could be ready at much shorter periods of notice. For example, at the individual level some personnel could be ready within two to 28 days, and at the collective level a platoon/troop could be ready within 90 days and a sub-unit within 180 days. The study proposed that the concept of preparedness should be based on a task oriented approach rather than a single readiness notice for force elements. Provided adequate resources are available to achieve preparedness, units and formations could be allocated multiple tasks of differing readiness notice.

2.36 Following consideration of the outcome of the Reserves Roles and Tasks study by the Chief of Army Senior Advisory Group and a seminar comprising senior Army personnel in September/October 2000, a Planning Directive was issued by the Deputy Chief of Army. The Directive outlined the vision for Army-in-Being in 2003 (AIB 2003). It also stated that the progression of AIB 2003 is focused on the implementation of the Reserve Roles and Tasks study (RTA objective 3.2.2) and development of Combat Force Capability Levels. Objective 3.2.2 identified indicative Reserve roles and tasks such as round out, reinforcement and rotation requirements for the Ready Deployment

Force¹⁸ and other capabilities at high readiness notice to complement the permanent component. The development of AIB 2003 is aimed at delivering a sustainable land combat force to meet the Government's required range of military response options, while remaining cognisant of Army's intended future capability development path. This will be achieved by maximising the Reserve capabilities as part of a fully integrated Army.

2.37 The directive stressed the need to rapidly progress the implementation of roles and tasks for the Reserves and stated that the development of AIB 2003 would be conducted in three phases. Phase one was to identify round out, reinforcement and rotation requirements and to include the subsequent tasking of Reserve units to achieve these requirements. This phase was also to identify current capability deficiencies that could be provided by the Reserve component and capabilities currently provided by the permanent component that could be provided by the Reserves at increased readiness notice. Phase two covered the development of policy and guidelines to support the employment of the Reserve and permanent components in meeting the revised roles and tasks. Phase three was the production of a Chief of Army Directive and capability transition plans to include reallocation of resources to effect revised roles and tasks.

2.38 The directive concluded by stating that the ultimate aim of this process is to enhance Army capabilities within current resource restrictions by maximising the contribution of the Reserve component. The tasks contained within the directive provide the basis for significant enhancement of Army capabilities over the next three years. By more fully integrating the Reserve and permanent components, Army will be better placed to meet the full range of tasking required by the Government.

ANAO comment

2.39 The development of the AIB 2003 in accordance with the recent Planning Directive should provide a wider range of roles and tasks for the Reserves than the expansion base roles that the Reserves have been tasked to undertake in the past. The ANAO agrees that the development of appropriate roles and tasks is essential if the Reserves, both individually and collectively, are to make a worthwhile contribution to Defence capability outputs at various levels of readiness. Suitable roles

¹⁸ The Ready Deployment Force provides the combat capability necessary to meet the requirements of designated military response options within crisis warning time. This component of the Army Model is described in Chapter 3 and Appendix 3.

and tasks are a prerequisite for the development of an appropriate force structure and to ensure that the Reserve contribution to the combat force is sustainable. The roles and tasks that are developed should not be constrained by existing Reserve capabilities and force structure.

2.40 At the time of the audit the implementation of the Planning Directive was still proceeding. The methodology and the force structure principles developed during the Roles and Tasks study were based on the Army model¹⁹ and key functions of capability, and appear to provide a sound foundation for planning the AIB 2003. However, there are some aspects that may require further consideration in order to maximise the benefits of any restructuring.

2.41 The ANAO noted that one of the assumptions of the Roles and Tasks study was that the current Reserve force structure should not change markedly. Similarly the recent Planning Directive stated that a regional command and control system is to be maintained within the Latent Combat Force²⁰, that viable regional and rural elements are to be maintained and that traditional and heritage lineages are to be honoured. These factors could place constraints on the development of the roles and structures for the Reserve component.

2.42 Another issue relates to the affordability of revised roles and tasks for the Reserve. The purpose of the RTA studies was to inform decisions on the development of an effective, affordable and sustainable Army for the next century. It is not clear at this stage that the Army's ability to provide the resources to support an enhanced role for the Reserves has been fully explored. As outlined above, the revitalisation of the Reserve, which was an element of the RTA trials, could not be sustained in large part because of insufficient resources. Although higher levels of individual and collective competencies were achieved, the revitalisation did not achieve its primary goals of the Reserve being suitably manned, equipped and trained. The Joint Committee on Foreign Affairs, Defence and Trade, in its report of August 2000, drew attention to the need for an increase in overall funding for the Army.²¹ It commented that increasing costs for military equipment and personnel will progressively reduce capability. Army documentation also indicates that an increase in Reserve readiness will result in increased costs, with those at 30 days notice incurring the same costs as permanent units.

¹⁹ The Army model is described in Chapter 3 and Appendix 3.

²⁰ The Latent Combat Force provides a ready source of personnel and equipment to expand the Ready Deployment Force in response to changes in the strategic circumstance. This component of the Army Model is described in Chapter 3 and Appendix 3.

²¹ Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000.

2.43 A further factor is the ability of Reserve personnel to make themselves available for sufficient periods of time to achieve full competency in those technical trade categories that require extended periods of training. The ANAO observed that the Australian Regular Army was experiencing difficulty in satisfying its own needs in these areas. Because of the extended individual training requirement in some trades it is likely that a part time Reservist will take too long to achieve a capability return from the personnel and training investment required to achieve full competency.

2.44 The ANAO supports the current development within Army to implement the outcome of the Roles and Tasks study and to identify specific tasking for the Reserve that is directed at producing the capabilities required by Army. In developing the roles and tasks the ANAO considers that Army should:

- complete the Roles and Tasks study at the earliest possible date having regard to strategic guidance and with specific tasking being developed for Reserve units that is aimed at producing the capability outcomes required by Army;
- not be constrained by existing Reserve capabilities and force structure;
- be developed against a set of principles to guide the process of integration (both physical and cultural) of full and part time components; and
- allow for the limited time availability of part time personnel.

2.45 The ANAO considers that, if the Reserve is to become viable and effective, full regard must be given to the resources available to sustain the proposed roles and tasks. It is unlikely that the proposed changes will be effective if the available resources are spread too thinly over a large Reserve organisation or if Reserve personnel are not available to implement the new tasking. As such, the resource implications of the changes need to be fully understood. Any revised roles and tasks need to be realistic and achievable.

Royal Australian Air Force Reserve

2.46 In the 1980s the Air Force Active Reserve replaced the Citizens Air Force, and at about the same time the Specialist Reserve was formed. The Reserve has three groups, with each of these broken down into further sub-groups depending on their function. The role of the Active Reserve is to provide trained Reserve personnel who will be available for operational deployment or associated support activities during a contingency. The Specialist Reserve provides (on an on-call basis)

personnel, with selected professional skills, that would be uneconomical to retain in the Air Force on a permanent basis. Members of General Reserve have no annual training commitment and, as such, their skills may have degraded and would need to be carefully assessed in the event of a call out.

2.47 The limit for Reserve employment is financially constrained to a maximum of 130 days unless higher authority is obtained to meet the requirements of a particular, essential task. Additionally, all Active Reserve and Specialist Reserve must meet an annual efficiency requirement to undertake a set number of training days. The training day commitment varies depending on that part of the Reserve in which the member has enlisted. The Reserve comprises about 80–85% ex-PAF. Although the future may demand a different mix of ex-PAF and direct entry, the ex-PAF element will, by necessity, remain considerable because of the specialised training needs of Air Force.

2.48 The Active Reserve consists of the following groups:

- Contingency Operations Reserve (the bulk of the Active Reserve) comprises mainly ex-PAF members and represents all the ground specialisations required by the Air Force to meet contingency operations. Each member has an annual training commitment of 32 days;
- Ground Defence Reserve Group undertakes an initial 11 months full time training and then four years and one month Reserve service of between 32 and 50 days per year. This group forms part of the ground defence force for protection of forward bases when the Air Force deploys;
- Operations Air Reserve Group comprises ex-PAF aircrew, including pilots, navigators and loadmasters who maintain currency of flying skills by serving 50 days per year; and
- Contingency Air Reserve Group contains ex-PAF aircrews who maintain familiarity but not currency by attending for three days per year. Their training days are used for updating on operational aspects of the aircraft type they flew while in the PAF.

2.49 The Specialist Reserve consists of specialist employment categories, especially doctors, dentists and other health service practitioners together with lawyers, chaplains and journalists. These specialists have a training commitment of seven days per year. This group has been active in supporting the ADF in all recent humanitarian and peacekeeping operations.

Reshaping the Air Force Reserve

2.50 At the time of the audit, proposals were being considered to provide a clear statement of the role and function of the Air Force Reserve and to develop appropriate structures to provide the capabilities to meet the requirements of a total Air Force. The conceptual framework for reshaping the Reserve was to be based on work being undertaken to determine the wartime and peacetime establishments for the Air Force. In 1998, the PAF was mandated to a strength of 13 000 personnel. This was later amended to 13 555 as a result of experience in East Timor. Initial work in 1998 indicated that Air Force would require a work force of about 19 800 in wartime to maintain full operational levels for tasking in defence of Australia. These figures suggest that an additional workforce of about 6 500 would be required. It was proposed that a substantial proportion of this shortfall could be met through an enhancement of the Reserve force.

2.51 The Reserves, if properly integrated into the Air Force structure, should not have a separate concept of operations, but must be capable of contributing to, and being part of, the overall Air Force concept of operations. A concept of employment for the Reserves is dependent on two aspects:

- a statement of the PAF expansion requirements to meet Air Force operational requirements; and
- a simple unambiguous statement of the role and function of the Reserve.

2.52 The wartime establishment was to have provided the statement of requirements from which the mustering and specialisation structures would be determined. It would also have identified those capabilities that would be required for operations in defence of Australia, but which are unsustainable in the peacetime PAF and require the expansion of Reserve unique areas of employment. The completion of the war and peacetime establishments is not expected until later in 2001. In the meantime it is proposed to develop the structural requirements on an incremental basis. In some instances, the structure may need to be modified and, due to training and availability limitations applying to Reserves, unique employment categories may need to be established to provide the capability requirement. Training will then need to be tailored to these employment categories.

ANAO comment

2.53 If implemented, the proposals for the Air Force Reserve will entail a considerable expansion over the present active establishment. An expanded Reserve will require greater effort to administer and train if they are to be an adequate supplement to the permanent force. Considerable difficulty can be expected in developing a Reserve of the size indicated and it is unlikely that sufficient personnel could be obtained from former permanent members who currently form the bulk of the Reserve. It has been conservatively estimated that the cost of maintaining an enhanced Air Force Reserve would be in the vicinity of \$35–45 million per annum.²²

2.54 Other factors that would need to be addressed include:

- the extent to which it would be possible to recruit, train and qualify civilian personnel in a short period to meet the requirements for operations in defence of Australia;
- the availability of facilities to train, and maintain the skills of, an increased number of Reserves;
- the ability of the ADF to recruit and retain sufficient numbers of Reservists; and
- conditions of service and employment and administrative procedures.

2.55 The role of the Air Force Reserve should be to complement and supplement the capabilities of the PAF in a cost effective manner. The Reserve must be capable of:

- force generation, deployment and the conduct of operations;
- force sustainment, reinforcement and rotation; and
- the provision of an expansion base for mobilisation in defence of Australia.

2.56 The first step to ensuring that the Reserve is able to deliver the capabilities sought, is to articulate the requirements in some detail. The ANAO suggests that the Air Force should develop a clear statement of the roles and functions required of its Reserve. This statement should be based on strategic guidance and the Air Force concept of operations; should complement the capabilities of the full time component; and should allow for the limited time availability of part time personnel.

²² Department of Defence, *Reshaping the Royal Australian Air Force Reserve*, DRES-AF, 1999, p.21.

Recommendation No.1

2.57 The ANAO recommends that, in order to improve the effectiveness of ADF Reserves, Defence:

- a) complete the Army Roles and Tasks study at the earliest possible date and ensure that the implementation of new Army Reserve roles and tasks has full regard to the resources available to sustain the proposed changes;
- b) develop a clear statement of Air Force Reserve roles and functions consistent with the Air Force concept of operations; and
- c) ensure that the roles and tasks developed for Army and Air Force Reserves are based on strategic guidance, complement those of the full time component and allow for the limited time availability of part time personnel.

Defence response

2.58 Defence provided the following response to Recommendation No.1:

- a) Agreed, noting that the Army Reserve Roles and Tasks study continues the work commenced under the methodology developed as part of the RTA initiative. The RTA methodology requires that future capability development by the Army is combat effective, affordable and sustainable.
- b) Agreed.
- c) Agreed.

Standby Reserve

2.59 Each Service has a category of Reserve personnel who have no annual training obligation. In Navy it is referred to as the Standby Reserve, in Army as the Inactive Army Reserve and in Air Force the General Reserve. This report generally uses the term 'standby' Reserve when referring to Reserve members without a training obligation. Members of these Reserve elements may be called out in times of national emergency and may be called on to undertake specific tasks or projects or to supplement short term work force shortfalls. In certain circumstances they may also volunteer to render continuous full time service. ADF standby Reserves comprise mainly former permanent members who have transferred to the Reserves upon completion of their permanent service.

2.60 The Navy Standby Reserve is at present an administrative arrangement and has not been established in legislation. It comprises a list of Reserve personnel who are not members of the General Reserve.

At present, transfer to the Standby Reserve is voluntary. Navy makes extensive use of the Standby Reserve and estimates that over half of its current Reserve staff activity is undertaken by Standby Reservists.

2.61 The Inactive Army Reserve is formally constituted under the *Defence Act 1903* and transfer to it is voluntary. An Army report on the Inactive Army Reserve concluded that the processes in place for the management of the Inactive Reserve did not allow for the most effective use of the asset and negative perceptions within Army about the Inactive Reserve resulted in its under use. The report also noted that limited information was available on the Reservists skill sets, availability and work preferences. It further concluded that, despite the Inactive Reserve comprising a quarter of the total Army Reserve personnel, it provided little additional capability.²³

2.62 Since 1996, departing airmen/airwomen of the PAF have been required by Regulation to transfer to the General Reserve for a period of five years or until compulsory retiring age. There is no compulsion on officers in the Air Force to transfer to the General Reserve. Details of General Reserve members are maintained on an Air Force database that is updated through annual contact with members.²⁴

2.63 Under the proposed changes to the ADF Reserve categories it is likely that the nomenclature for Reservists without an annual training obligation will be the same for all Services. It has also been proposed that, on separation from the permanent forces or active Reserves, service in the standby Reserve may become compulsory for most members for a period of up to five years. It is understood that the proposed requirement to transfer to the standby Reserve, if implemented, will not apply retrospectively and will only apply to future full time and part time members. The development of these proposals are still in the conceptual stage and details are still to be resolved.

2.64 ADF standby Reservists should provide a source of experienced and trained personnel who are familiar with military practices and procedures. However, with the passage of time, it is likely that currency of their skills, degree of familiarity with Service activities and their level of personal fitness could degrade. It is also probable that many will be older than serving members, both full and part time. In these circumstances, the reliance that could be placed on these personnel in the event of an emergency, and the manner in which they could be used, needs to be carefully considered.

²³ Department of Defence, Project Standby, The Management and Administration of the Inactive Army Reserve, July 1999, p.1.

²⁴ Department of Defence, DRES-AF database and Project Standby, p.10.

2.65 An option for consideration would be to adopt an annual training obligation of one or two days, under sponsor unit control. This training period would enable verification of personal particulars, conduct of annual medical examination and basic fitness assessment, refresher training, trade proficiency testing and update briefings. A process of this nature would ensure that the bulk of the standby Reserve would be available in an emergency.

2.66 Although Defence statistics indicate there are substantial numbers of standby Reserve members, there is some doubt about the accuracy of these figures. For example, *The Navy Quarterly Report of Naval Personnel* at 30 June 2000 indicated that the Standby Reserve contained 3 030 members. However, data extracted from Navy Personnel Management System showed a total of 5 800 Standby members. Navy commented to the ANAO that, at present, available databases do not allow it to record accurately details of skill sets, availability for service and up-to-date information on health, dental and contact details.

2.67 At the time of audit fieldwork Navy had completed a survey of personnel on the Standby Reserve list, in order to verify enlistment and contact details. Some 20% of members enlisted in the Standby Reserve did not respond to the Navy survey. As Navy Reserve members are required to report at least once a year, members failing to meet Service requirements should not remain in the Reserve, unless special circumstances exist. Navy representatives advised that the *Naval Defence Act 1910* does not make provision for discharging a sailor or terminating an officer's appointment where the member's whereabouts are unknown for an extended period. The ANAO considers Defence should seek the necessary authority to delete the names of Standby Reservists who fail to meet Service requirements.

2.68 The ADF's standby Reserves are an important resource that can be used to supplement the permanent forces. As such, the ADF needs to have an accurate and up-to-date understanding of the availability of standby Reservists, as well as their skill sets. The ADF would benefit greatly from the development of an accurate database of standby Reserve personnel that identifies their availability for military service and the currency of their skills.

Recommendation No.2

2.69 The ANAO recommends that, to better identify the capability provided by standby Reservists, Defence develop an accurate database of standby Reserve personnel that contains details of their suitability for military service and the currency of their skills.

Defence response

2.70 Defence agreed to Recommendation No.2.

3. Reserve Force Structure

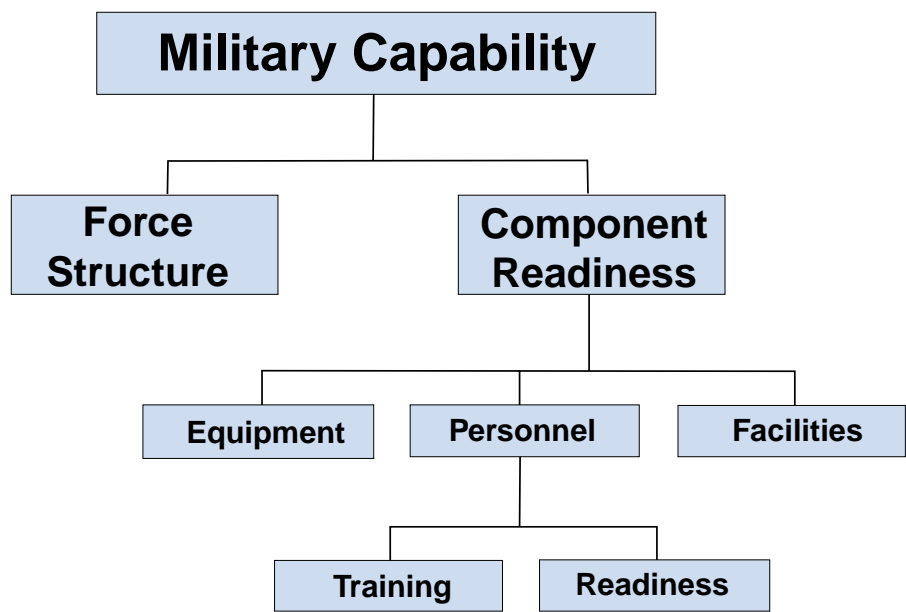
This chapter discusses the development of Reserve force structures and the need to review and rationalise these structures to a level that is sustainable in the long term.

Introduction

3.1 In examining the military capability of the Reserve forces, the ANAO referred to ADF preparedness and mobilisation doctrine.²⁵ This doctrine identifies the major components of military capability as force structure and force preparedness. Force structure may be defined as the number, type and grouping of military units, personnel and equipment. Preparedness is a function of the readiness and sustainability of these assets to conduct military operations. Readiness is the ability of a force element to reach, within a specified readiness notice, an operational level of capability and sustainability is the ability to support the deployed forces. The ANAO considered the military capability of ADF Reserve forces against the capability elements identified in Figure 2.²⁶

Figure 2

Elements of military capability



²⁵ Department of Defence, ADFP4, *Australian Defence Force Preparedness and Mobilisation Doctrine*.

²⁶ ANAO diagram—these capability elements were derived from ADFP4.

3.2 Chapters 3, 4 and 5 address the capability elements identified in Figure 2 for the three Services' Reserve forces ie. force structure, personnel (assets against liability),²⁷ individual training and readiness, collective training, equipment (assets against liability) and facilities. However, the analysis concentrates on the Army Reserve because of its size and Army's focus on mobilising collective groups of Reserves for reinforcement and rotation forces. The focus of this chapter is the force structure of the Reserves.

Force structure

Australian Naval Reserve

3.3 As a result of measures to reduce the size of the ADF, increasing attention is being focused on the use of Reserves to supplement and complement the permanent forces, with an increasing emphasis on the employment of Reserves to achieve required military capabilities. There is growing support within Defence for the Reserves to become an integral element of the total force and to assume responsibility for assisting in a wider range of contingencies.

3.4 In 1990, the Royal Australian Navy decided to integrate its Reserve elements with its full time force and use the same assets for training all members.²⁸ Prior to this the Australian Naval Reserve operated from Port Divisions in capital cities, each equipped with small training vessels. The Port Division force structure used substantial resources, both afloat and ashore, and yet was considered to provide Navy with limited capability. After the closure of the Port Divisions, the normal method of employing Reservists was to shadow post individuals against a Permanent Naval Force billet. Initially, billets to be shadowed were chosen selectively, but eventually every PNF billet became eligible. The prime intention was to provide a degree of ownership of the Reservist by the establishment, as well as a sense of equality with their PNF counterparts on what is, essentially, a job sharing arrangement. Although useful, the system did little to aid the maintenance of realistic ANR category sizes that must be linked to Navy's operational needs.

²⁷ 'assets' refers to the posted personnel strength and 'liability' to the approved personnel establishment.

²⁸ Department of Defence, *Deploying the Australian Naval Reserve*, DGRES-N, August 1999.

3.5 In 1999, the Deputy Chief of Navy approved the restructuring of the ANR General Reserve into two elements designated the Integrated Program and Project Program. The Integrated Program comprises those Reservists who are required on an ongoing basis by commands and individual units to supplement their full time strength in order that they may meet their every-day approved Navy capability delivery commitments. The formal, approved, Integrated Program structure for each ship, establishment, headquarters or division provides the basis for the quantum of Reserve dollars to be allocated annually.

3.6 The allocation of billets for staffing by ANR members is the means by which the contribution of ANR members becomes integrated with that of PNF members in the various command and management structures. As far as is practical, unless otherwise stipulated in the *Naval Defence Act 1910*, Regulations or policy instructions, the management of ANR members is the same as for PNF members. Navy managers have full responsibility for employment of Reserves, but also for the performance, personnel administration and welfare of the Reserves in their employ.

3.7 Although the ANR maintains some organisation structures to manage Reserve activity and to support the welfare of its members, such as the Reserve Career Management Cell, the Navy no longer maintains a separate force structure of formed Reserve units. ANR members are generally posted against positions in an integrated Scheme of Complement for each ship or establishment.

3.8 The Project Program are those Reservists who are employed on an *ad hoc* basis to fill vacant PNF billets or to undertake project type employment (ie. employment for shorter periods, usually 20 days minimum) or longer (up to an annual maximum) extending over a prolonged, but finite, period (perhaps two to three years).

3.9 For defence of Australia scenarios, the surge capacity for the ANR comes from the immediate conversion of members in the Integrated Program to full time status in the billets they hold, plus the immediate posting of members of the Project Program to one of a range of predetermined billets. For tasks involving defending Australia's regional and global interests, the utilisation of the ANR is most typically exemplified by the deployment of Health Services personnel in peacekeeping or disaster emergency roles. This type of work is classified as a Project Program activity.

3.10 Members of the ANR may volunteer for Continuous Full Time Service (CFTS) or Commanding Officers may request that an ANR member undertake a period of CFTS. Approval of CFTS is restricted to cases where a vacancy in a PNF billet has a demonstrable adverse impact on operational capability, or in the case of non-sea going billets where the

vacancy will have unacceptable follow on effects to fleet units. Applications will only be accepted where the billet will be vacant for a period of 90 days or more.

ANAO comment

3.11 The Navy has largely succeeded in integrating its permanent and Reserve forces into a structure that is focused on achieving required Navy capabilities and on ANR members becoming an integral element of the total force.

3.12 Navy advised that all units have been directed to validate and verify their requirement, by rank, category, key duties, number of days (and frequency) training required for each billet in each training year, prerequisite training and, where applicable, alternative ranks and categories. Units have also been directed to provide organisation charts identifying how ANR billets are to be fully integrated within their PNF and/or ADF unit, in order to meet Navy and Defence approved capability requirements. The updated Integrated Program Scheme of Complement will form the basis for funding of ANR billets and provide a promotion structure for the ANR. The validation process is expected to be completed by 30 June 2001.

3.13 There are currently some 2150 Reserve billets in the Integrated Program. In the development of the Integrated Program the ANAO was advised that requests for billets from Navy units, establishments and Force Element Groups, far exceeded the Reservists available for duty. Around 920 ANR personnel have indicated their willingness to fill the identified billets, a shortfall of some 57%. Current reviews being undertaken will refine its structure and it is expected that the number of billets will reduce but, if insufficient billets are filled, this could jeopardise the usefulness of the Integrated Program. The Navy noted that the Integrated Program structure is still new and will need to be developed over a number of years.

3.14 The integration of the PNF and ANR workforce is an effective means of delivering Navy capability during peacetime. However, Navy is effectively using a substantial proportion of its Reserve in a permanent part time capacity to overcome a significant shortfall in the recruitment and retention of permanent members. The ANAO considers that the use of Reservists in this manner could be depleting the Navy's ability to surge (increase its rate of activity at short notice in a military emergency); additional personnel to meet the increased activity might not be available in the short term. A secondary issue is the appropriateness of employing personnel in a permanent part time capacity under Reserve conditions of service that are considered by the ANAO to be less than those enjoyed by full time personnel.

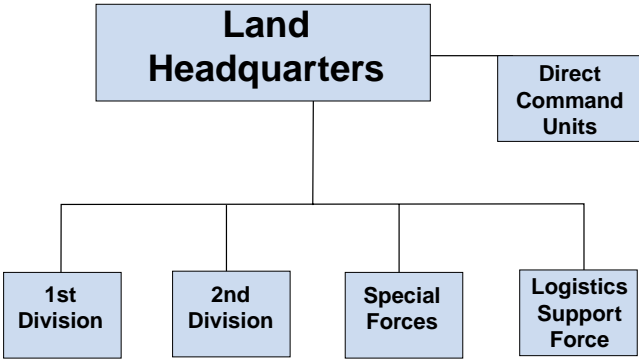
3.15 Under the Project Program, it is not intended that ANR personnel undertake or supplement activities that are properly the responsibility of PNF positions. For Project Program positions to be funded, the linkage between the project and the contribution it makes to approved Navy capability needs to be established. The ANAO noted that, in a minute to the Director of Personnel Policy—Navy in April 2000, the Director of Reserve Utilisation Management commented that the Project Program bidding process is being used to reintroduce positions/activities previously undertaken by PNF members. The PNF component of the Navy may be under its approved strength, but the Project Program bidding process is not intended as a means of circumventing existing policy and processes for Navy manning.

3.16 Similarly, it was found that 144 personnel comprising 74 officers and 70 sailors (from both the General and Standby Reserve) were engaged on continuous full time service as at 30 June 2000.²⁹ These Reserve personnel were frequently used to fill vacant positions on naval vessels. Once again, the use of Reserve personnel in these circumstances may be depleting the Navy’s ability to surge. Navy advised that, as Reservists only attend for a small proportion of the time available for a permanent member, there is considerable spare capacity in the ANR to surge.

Army force structure

3.17 At the time of audit the Army’s force structure consisted of Army Headquarters with two subordinate commands: Land Headquarters and Training Command. The major Land Headquarters subordinate formations and units are outlined in Figure 3.

Figure 3
Land Headquarters major subordinate formations and units



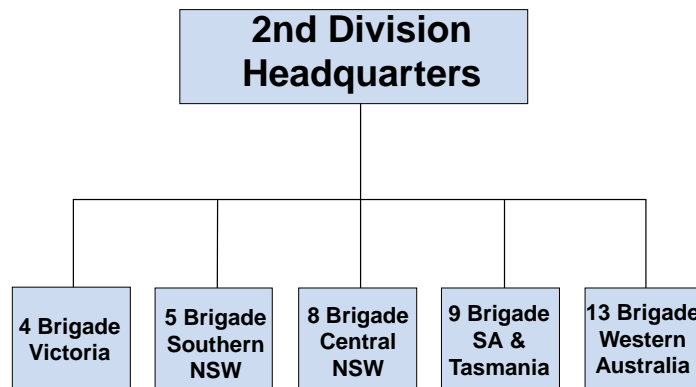
Source: Department of Defence.

²⁹ Department of Defence, *Quarterly Report of Naval Personnel*, 30 June 2000.

3.18 Army's Land Headquarters contains the majority of the ADF's ground combat troops. The bulk of full time combat forces are in the 1st Division and most Reserve combat personnel are in the 2nd Division. Both divisions are conventional military hierarchical structures. The 2nd Division contains five light infantry brigades, as outlined in Figure 4.

Figure 4

2nd Division Headquarters subordinate formations



Source: Department of Defence.

3.19 In addition, significant numbers of Reserve personnel are located in two brigades in the 1st Division, ie:

- 7 Brigade—an integrated motorised brigade, staffed by both Australian Regular Army and Army Reserve personnel and with subordinate elements drawn from south Queensland; and
- 11 Brigade—a light infantry brigade that is predominantly a part time unit, with subordinate elements drawn from north and central Queensland.

3.20 The Logistic Support Force (LSF) also contains a large number of Reserve personnel. The LSF provides supply, health, transport, repair, communications, construction engineering, military police, and other logistic support to deployed forces. As currently structured the LSF consists of three Force Support Battalions.

3.21 A conventional brigade headquarters is responsible for the command, training, exercising and administration of brigade units. Brigade headquarters also undertake exercises and training directed at the maintenance of operational and combat service support, command and staff skills, including field deployments, command post exercises, tactical exercises without troops and simulation training.

Army in the 21st Century Study

3.22 As noted in Chapter 2, the A21 study identified the need to increase the preparedness of the Army Reserve to contribute to overall ADF readiness. This was to be achieved through an enhancement process that would include integrating full and part time personnel in the Enhanced Combat Force. The part time component of the Enhanced Combat Force was to be better equipped and trained than in the past and wholly integrated with the full time component. The proportion of full and part time personnel in a unit would depend on its mission, although most units would contain some part time personnel. Army embarked on a series of trials whose purpose was to contribute to the ADF's overall capabilities.

3.23 The A21 study recommended highly integrated, task oriented formation and unit structures based on the entire range of roles to be undertaken by Army on operations in defence of Australia. The modern land force structure and the '*shift from the traditional divisional structure towards flatter, more responsive task-force structures*' as described in Defence's 1996–97 Annual Report, did not eventuate.³⁰

Force structure planning

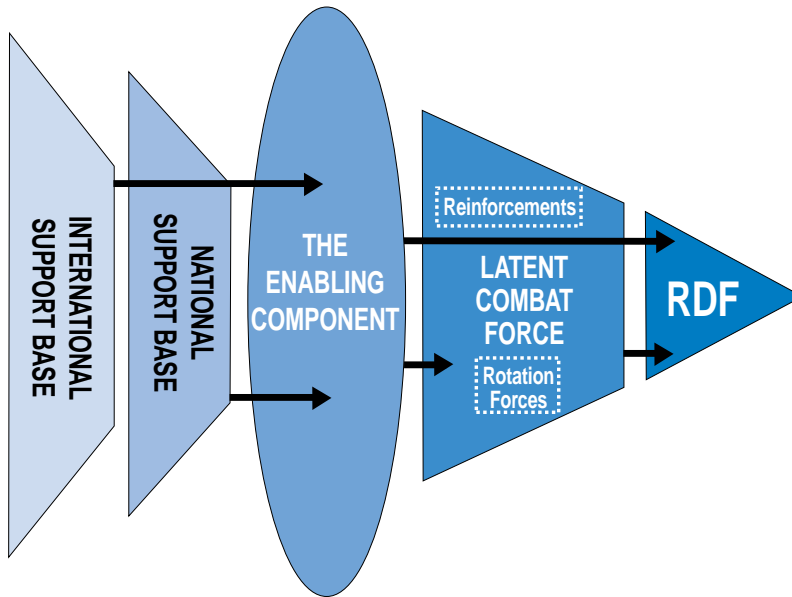
3.24 At the time of audit fieldwork, the Army Model provided a conceptual basis for force structure development that recognised the need for balance between the four key functions of military capabilities: force generation, deployment and recovery, combat operations, and sustainability. Army subsequently identified a fifth element, force protection. Elements of the Army Model include; the Ready Deployment Force, the Latent Combat Force and the Enabling Component. The Army Model is described in Appendix 3.

3.25 The Ready Deployment Force consists of those elements that are trained and equipped to provide combat capability at short notice. The Latent Combat Force provides the mobilisation and expansion base and the means to sustain the Ready Deployment Force through individual reinforcement and individual and collective rotation. It is, in essence, the Army's strategic depth, enabling it to adapt to changes in the strategic environment. The Enabling Component conducts training, supports and equips combat capabilities as they move through increasing levels of operational preparedness, until available for deployment as an element

³⁰ Defence Annual Report 1996-97, p.13.

of the Ready Deployment Force, and it also sustains deployed forces. In many of these endeavours, the Enabling Component draws on support from the national infrastructure. These elements are reflected in Figure 5.

Figure 5
The Army Model



Note: RDF—Ready Deployment Force

Source: Army Roles and Tasks study.

3.26 Army is basing its force structure planning on the methodology contained in the Army Model. The ANAO considers that the Army Model has been developed in a logical and rigorous manner and should provide a sound basis for force structure planning. The methodology needs to be applied consistently and objectively across its entire force structure, including the Reserves. There should be a strong link between the military capability required and the force structure that is developed. There also needs to be a long term planning process that develops a relatively stable Reserve force structure that provides for a maximum capability output for the training dollars.

Current force structure

3.27 The Ready Deployment Force currently consists of two Australian Regular Army brigades: 1 Brigade (headquartered in Darwin) and 3 Brigade (headquartered in Townsville). The Latent Combat Force is based around 7 Brigade (an integrated brigade headquartered in Brisbane), and six predominantly Reserve brigades: 4 Brigade (headquartered in Melbourne), 5 and 8 Brigades (headquartered in Sydney), 9 Brigade (headquartered in Adelaide), 11 Brigade (headquartered in Townsville) and 13 Brigade (headquartered in Perth). A number of other units, such as those in the Logistic Support Force, are predominantly manned by Reserve personnel. Together these formations contain some 86 General Reserve units. Most units draw their membership from surrounding regions.

3.28 The broad structure of the Army Reserve has remained largely unchanged over several decades. It remains a conventional military structure with a hierarchy of division, brigade and battalion. The changed strategic role for the Reserves towards contemporary military operations, as outlined in the 2000 Defence White Paper, raises the question of the appropriateness of current Army Reserve structures to meet changing roles and tasks.³¹

3.29 As noted in chapter 2, the Reserves Sustainability Study found that Army needs to base its Reserve structures on a concept of operations derived from strategic guidance and to develop these structures so that the Reserve complements, rather than simply duplicates, capabilities that exist in the full time component.³² The ANAO recognises that a degree of duplication may be required for force rotation, but the current Reserve force structure contains an unnecessary level of duplication, given the revised roles and tasks and the required rotation forces.

3.30 The Joint Committee on Foreign Affairs, Defence and Trade report *From Phantom to Force* noted that the 2nd Division Headquarters did not seem to have organisational groupings that were functionally organised and that it was an administrative headquarters that did not share the operational role of its subordinate formations.³³ The report also

³¹ The White Paper *Defence 2000—Our Future Defence Force*, December 2000.

³² Department of Defence, *Report of a Study into Sustainability of the Reserve Component of the Enhanced Combat Force*, December 1998, p.1.

³³ Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000, p.123.

addressed the issue of an excessive number of headquarters within the Army force structure. The issues of the number of headquarters and their roles are directly linked to the large number of hollow units in the Army and are symptomatic of a force structure problem. It appears that the Army has continued to maintain headquarters while the numbers of staff commanded by them have continued to shrink. The Joint Committee on Foreign Affairs, Defence and Trade report noted that headquarters should not exist if they could not be exercised in their role.³⁴ This comment is particularly applicable to divisional and brigade headquarters.

Current force capability

3.31 Until recently, there has been no strategic rationale for the Army Reserve to contribute to short term collective capability, nor has there been a capability construct behind the Reserve establishment. With the exception of broad guidance in revitalisation directives, Army has not, therefore, demanded a specific capability from most Reserve units. The primary exceptions to this are the Regional Force Surveillance Units that are tasked with specific reconnaissance patrols.

3.32 In respect of readiness requirements, none of the Reserve brigades are allocated 'serials' (requirements) in the Chief of Army Preparedness Directive and therefore are not subject to readiness notice to deploy. In its report *From Phantom to Force*, the Joint Committee on Foreign Affairs, Defence and Trade noted that:

Much of the Latent Combat Force appears to be on readiness levels in excess of 180 days notice. We were concerned that the practice of long readiness times delivered no useable capability while creating the impression that the Army was large and capable. We felt those units with readiness times of in excess of 180 days, or more:

- *are of limited utility to operational planners dealing with short notice contingencies; and*
- *receive resourcing which results in basic individual and collective skills never being achieved or else becoming degraded.*³⁵

Army noted that units on 180 days notice may be entirely adequate as part of rotation forces where 180 days notice is available, or for reinforcement, round out or mobilisation where at least 360 days notice is possible.

³⁴ *ibid*, p.68.

³⁵ *ibid*, p.74–75.

3.33 Lt General Sanderson (ret'd), in giving evidence to the Joint Committee on Foreign Affairs, Defence and Trade, concluded that *'The Army Reserve is simply not trained enough, fit enough nor of sufficient strength to make a worthwhile contribution to Australia's defence'*. The same inquiry cited a comment in 1996 by the former Minister for Defence: *'With some exceptions, like the Regional Force Surveillance Units, Reserve units are understaffed, poorly equipped and have low readiness levels'*.³⁶

3.34 Reserve brigades are clearly no longer manoeuvre formations. They are neither resourced for this role, nor do they adequately train for it. Their function appears to be primarily one of administration of Reserve personnel and the conduct of individual training. The same could be said about the majority of Reserve battalions. Internal Army documentation indicated that the current collective capability achievable within the Reserve brigades is limited, at best, to the sub-unit (company) level.³⁷ Army advised that it has not sought a collective contribution from the Reserve because the *raison d'être* for the Reserve has been about long lead time tasks where adequate preparation and training time would be available to prepare the Reserve to undertake collective tasks.

3.35 The collective capability achievable by the Army Reserve formations will always be limited by the level of resources provided to the formations and by the amount of time that Reservists make available to train. Army has been consistently unable to resource the Reserve to levels which would enable the generation of collective capability. This raises the complex relationship between the roles allocated to the Reserve, the level of resourcing required to achieve those roles and the extent to which generating collective capability is achievable. The establishment of the new strategic role for the Reserves, with a primary focus on contemporary military operations, requires the collective capability of the Army Reserve to be developed.

Hollowness of the force structure

3.36 The ANAO undertook an analysis of Land Headquarters General Reserve units to determine their current level of personnel resourcing. The analysis indicated that, overall, the actual posted strength of the units was only 47% of the personnel required for a Minimum Level of Operational Capability. The posted strength of brigades ranged from

³⁶ Joint Committee on Foreign Affairs, Defence and Trade, *Inquiry into the Suitability of the Australian Army for Peacetime, Peacekeeping and War*, Hansard, 18 February 2000, p.125 and 23 February 2000, p.199.

³⁷ Department of Defence, Report of a *Study into Sustainability of the Reserve Component of the Enhanced Combat Force*, December 1998, p.22.

35% to 50% of their authorised personnel establishment, with the staffing of individual units as low as 19% of their establishment.

3.37 The 1974 inquiry into the Citizen Military Forces concluded that, although under strength Reserve units may provide a suitable structure for expansion in war, they are not satisfactory for training in peace nor are they suitable as a readily available force in being.³⁸ It concluded that every effort should be made to establish viable combat units at a posted strength not less than 70% of establishment strength. Under this criterion the current resourcing of Army's General Reserve units is such that, on personnel strength alone, 87% can no longer be considered viable combat units.³⁹

3.38 The shortfall in personnel has been exacerbated in the last two years because of a marked reduction in recruitment levels, but historical figures indicate that numbers of Reserve personnel have always been well below approved establishment and that the viability of the existing Reserve structures has been marginal. The revitalisation of 4 and 13 Brigades, that commenced in 1996, resulted in some short term improvement, but this was not maintained.

3.39 In its report *From Phantom to Force*, the Joint Committee on Foreign Affairs, Defence and Trade addressed the issue of hollowness of the Army force structure, concluding that no units should be maintained that were not fully staffed to their operational requirement. The report made a number of significant observations about the current force structure of the Army's Latent Combat Force and its General Reserve units:

the Army appears replete with battalions most of which ... are understaffed and under equipped.

the Army contains too many 'one-off' units that complicate sustainment and rotation. The suggestion was made that a smaller number of better staffed and commonly equipped brigades should be the force structure goal.

*Army 21 would have seen an internal restructuring within units and formations and an overall reduction in the number of formations.*⁴⁰

³⁸ Report of the *Committee of Inquiry into the Citizen Military Forces*, Parliamentary Paper No. 56, 1974, pp.65–66.

³⁹ Department of Defence, *Army Monthly Liability and Strength Statement*, 30 June 2000.

⁴⁰ Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000, pp.73, 101, 112–116.

3.40 The hollowness of the Army force structure outlined above has a number of negative impacts beyond the obvious failure to provide a useful level of military capability. If the current task of the Reserve brigades is to raise and train soldiers then the ability of these under strength units to provide satisfactory training must be questioned, as many of the units are fighting for their very existence in terms of their personnel numbers. During audit fieldwork, it was noted that many units were focusing on recruitment as their primary task, rather than the conduct of their training program.

3.41 The more that Reserve formations are perceived as failing to deliver an appropriate level of capability, the less likely it is that adequate levels of funding will be provided to them. There is also the issue of the appropriateness of the level of Australian Regular Army staff attached to Reserve units and equipment provisioning, when units are significantly under strength.⁴¹ Under strength units are also more likely to have problems with morale, with consequent adverse impacts on personnel retention. The ANAO concluded that the hollowness of the existing force structure is one of the major issues confronting the Army Reserve.

Army force structure rationalisation

3.42 The maintenance of a large number of partially staffed and equipped Reserve units has been justified in the past as the organisational skeleton or expansion base from which to generate additional capability. However, there may be more cost effective ways to maintain a force expansion capability. Neither the ANAO audit fieldwork nor the Joint Committee on Foreign Affairs, Defence and Trade inquiry identified any evidence that Army had undertaken cost benefit analysis on the maintenance of a force expansion capability or how the available funding might be better applied to maintain a Reserve capability.⁴² Defence has advised that costs and benefits will be considered as part of the overall affordability of proposed future force structures. The ANAO considers this to be an essential step in developing future force structures.

3.43 Although the Army Reserve has traditionally had an 'expansion base' role and there remains a need to expand forces in time of conflict, the current strategic role of the Reserves demands that greater emphasis be placed on the generation of shorter term military capability from the Reserves. In its report *From Phantom to Force*, the Joint Committee on Foreign Affairs, Defence and Trade noted that:

⁴¹ Australian Regular Army staff form the administrative and training nucleus of the unit.

⁴² Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000, pp.101, 104.

*We do not believe that this [current] model is the most efficient from which to generate additional capability. The Department of Defence does not resource any credible mobilisation plans to provide the necessary equipment and personnel to field these brigades. In this sense the model is a fiction ... the maintenance of units as 'seed' capabilities is not supported. Units should not exist within the Army unless they provide useable and sustainable capability.*⁴³

3.44 The audit revealed that, within the existing resource constraints, the Army is unable to maintain a well trained and fully equipped Reserve force on the large scale that has been historically desired. The Joint Committee on Foreign Affairs, Defence and Trade report estimated that the full staffing of the Army's current force of nine brigades would double its annual wage bill to \$2.5 billion.⁴⁴ The only way that a larger force could be achieved would be a substantial injection of funds, at the expense of other Defence priorities. Even with a funding increase, the changing demographics of Australian society may preclude the Reserve from attracting sufficient numbers to achieve this goal.

3.45 The ANAO noted that, at the time of audit fieldwork, the active Army Reserve numbered some 17 300. This included a posted strength to Reserve combat units of around 8300. Based on the Minimum Level of Capability requirement of around 2500 Reserve personnel for a brigade, this indicates that the present Reserve force could only populate about three to four full strength brigades. It is recognised, however, that the current staffing of the Reserve is at an historically low level and that measures presently in train may lead to some improvement.

3.46 Given the current resource constraints, the fundamental force structure choice that may have to be made is between the maintenance of a relatively large, but poorly resourced and ill trained Reserve or a much smaller but better resourced and trained force that can supplement the permanent force capabilities. The latter option would provide for a more cost effective, military capability useable in the short term. There appears to be scope for maintaining a smaller, well-equipped Reserve in line with the total force concept. This would require a rationalisation of the current force structure to a level that is sustainable in the long term. Defence advised that the outcome sought is a capability based Army and rationalisation of the current force structure cannot be undertaken until the outcomes from the Reserve Roles and Tasks study are known.

⁴³ *ibid*, pp.120, 124.

⁴⁴ *ibid*, p.116. The figure assumed the proportion of Regular and Reserve forces would remain constant in a fully staffed force.

3.47 If, at the conclusion of the Army's Roles and Tasks study, some new capabilities are required of the Reserve forces (eg. biological, chemical and radiological defence) then other capabilities may have to be removed and some units may have to be re-roled. It is essential that any consequential rationalisation of the Reserve force structure results in the consolidation of required capabilities into a more efficient and capable force, including elements at a higher level of readiness.

3.48 Army planning documentation has considered the force structure principles required for rotation forces for its Ready Deployment Force.⁴⁵ These considerations have included the capacity to expand forces, balance of forces, level of force duplication, length of deployments, force generation and sustainment requirements.

3.49 A force rotation construct that has been considered in the past is to have one third of the force on operations, with one third being refurbished from operations and one third being brought back up to readiness to return to operations. This would suggest that, in order to support the current Ready Deployment Force of two brigades, the Latent Combat Force should consist of four brigades, a reduction from its current force structure of seven brigades. A possible model that would achieve this is 4 Brigade (based in Victoria and Tasmania), a single 5/8 Brigade (based in New South Wales), a single 7/11 Brigade (based in Queensland) and a single 9/13 Brigade (based in South Australia and Western Australia). This model would maintain the regional presence of the Army Reserve in their traditional recruiting areas.

3.50 Army advised that the development of a force structure solution requires a detailed analysis of the strategic requirements, the capabilities that are required and the measures necessary to underpin these capabilities. The ANAO acknowledges that the model considered above has not been tested against these criteria. Whatever force structure model is ultimately determined by Army, it is essential that it provides the required land capabilities in an efficient and effective manner.

3.51 If there were to be a change in the brigade force structure it would preferably be accompanied by an equivalent rationalisation in the number of Reserve units and associated headquarters. This should be directed at reducing the significant level of hollowness in the Latent Combat Force, simplifying the Reserve command structure and saving resources by

⁴⁵ Department of Defence, Deputy Chief of Army Planning Directive, AIB 2003, p.3.

avoiding unnecessary duplication of administration and unit overheads. For example, the average annual operating costs of a Reserve divisional or brigade headquarters in 1999–2000 exceeded \$7.5 million.⁴⁶ The goal of any rationalisation should be a more efficient and effective Army Reserve with the potential to contribute more substantially to the Army's force generation and military capability.

3.52 In the past, the highest priority role for the Reserves has been the provision of an expansion base for operations in defence of Australia. Since this is a longer lead time, lower probability role, the Reserve component could be tasked to develop other, complementary, competencies within an organisational framework that enables expansion should it be required. In order to achieve this, those elements of the expansion base that are critical to the capacity to expand should be identified and incorporated into the eventual structure.

3.53 For instance, if specific command appointments at particular rank levels are required within the expansion base it will be necessary to incorporate them, and the lower ranks which will feed them, within that structure. This leads to the conclusion that, within each regional area from which an expansion base formation is likely to be required, at least the number of unit and sub-unit commanders required must also be nurtured. This necessarily places a regional bias on the structures to be established but it is likely that demographic trends will continue to force Army to draw the largest number of Reservists from those regions with the largest recruitable populations.

3.54 The ANAO noted that past major reorganisations of the Reserve have led to significant staff losses. The possible negative impacts of any large scale reorganisation should be taken into account. Given the importance of the traditional titles, affiliations and combat histories of Army units, the 1974 Millar Inquiry proposed that these be retained by sub-units. This has apparently worked well in the United Kingdom where Reserve battalions contain companies bearing the titles of former regiments.⁴⁷

⁴⁶ Statistics sourced from Department of Defence, DPA–A, Costing Evaluation—Army.

⁴⁷ Report of the *Committee of Inquiry into the Citizen Military Forces*, Parliamentary Paper No. 56, 1974, p.66.

Army force structure—conclusion

3.55 Army has noted that Australia needs an Army Reserve for unit reinforcement and rotation and to help meet the substantial number of tasks that stretch the capabilities of the Regular Army. Recent contraction of the full time component makes a viable Army Reserve even more critical than it has been in the past. The development of part time personnel and integrated units able to contribute to Army's operational effectiveness is a critical element of the restructuring and modernisation program that is now required.

3.56 Army's future success is dependent upon the coalescence of both the full time and part time components of the Army into an effective whole. Integration involves all formations and units, with lesser impact on those on higher readiness. The merging of traditionally separate cultures into one that embraces the key characteristics of both will remain an issue of fundamental importance to Army.

3.57 The ANAO acknowledges that many of the matters raised above have been the subject of ongoing study by Defence. In order to progress these matters to finality the ANAO considers that Army should:

- continue with its rationalisation of the Army Reserve force structure; ensuring that it is based on strategic guidance, the Army concept of operations and on the outcomes of the Roles and Tasks study. This activity should include consideration of the essentiality of existing headquarters (at all levels) and their subordinate units; and
- take into account the resource implications of any restructuring so that the Reserve is sustainable in the long term and is able to produce the capabilities necessary to support and complement those of the full time component.

Air Force Reserve structure

3.58 Air Force Reserve administration and resourcing are coordinated centrally by the Director of Reserves Air Force, who maintains close liaison with the Air Force commands and personnel areas on Reserve policy issues. The Director of Reserves is responsible for determining policy relating to the organisation, function and role of the Reserve, for determining Reserve personnel policy and for the routine management and administration of Reserve personnel.

3.59 The bulk of the Active Air Force Reserve is mustered within squadrons as part of the Combat Reserve Wing. Command and control have been centralised at Headquarters Air Command, with all Reserve Squadrons answering to the Commander, Combat Support through a dedicated officer commanding the Combat Reserve Wing. The Reserve

units are 13 Squadron (Darwin), 21 Squadron (Melbourne), 22 Squadron (Sydney), 23 Squadron (Brisbane), 24 Squadron (Adelaide), 25 Squadron (Perth), 26 Squadron (Newcastle), 27 Squadron (Townsville) and 28 Squadron (Canberra). It has been proposed that personnel in Air Force Reserve squadrons be shadow posted to PAF positions for operations in defence of Australia and, if full mobilisation occurs, the primary reason for the existence of these squadrons disappears.

3.60 The Ground Defence Reserve Group is located in Airfield Defence Wing within the Combat Support Group of Headquarters Air Command. Ground Defence Reserve Group personnel serve in either 1 Airfield Defence Squadron (based at RAAF Edinburgh) or 3 Airfield Defence Squadron (based at RAAF Amberley).

3.61 The current higher level organisation provides the Reserve Squadrons with a single, defined command structure and dedicated staff to exercise the required level of command and control. However, Reserve Squadrons have not been employed, nor have they operated, as formed units since they lost their flying role in 1960, yet the structure, command and management mechanisms belonging to the previous era have been maintained. Air Force documentation indicated that, although the higher level organisation has been defined, the structure of the Reserve Squadrons should be revised, given the changes in their role and tasking.

3.62 As noted in Chapter 2, the first step in this process is to develop a clear statement of the role and tasking of the Reserves within the overall Air Force concept of operations. In determining an appropriate Reserve force structure to undertake that role, the factors to be addressed include the requirement for:

- integration of the Reserves into the Air Force structure;
- the same concept of operations for the Reserves and the PAF;
- a cost effective Reserve of an appropriate size and structure; and
- the Reserves to complement the capability of the PAF.

The Reserve structure need not mirror the PAF structure and should, where needed, provide unique employment categories and maintain those capabilities required for defence of Australia operations, that are too expensive to maintain in the peacetime PAF.

3.63 The ANAO considers that there is a need to review and rationalise the current Air Force Reserve structure and establishment. This should be undertaken as part of current efforts to develop a wartime/peacetime establishment model for the total Air Force. Ideally, an establishment model should be based on operational requirements and should integrate both Reserve and PAF personnel. Such an integrated establishment structure is, *prima facie*, cost effective.

Recommendation No.3

3.64 The ANAO recommends that, in order to improve the effectiveness of the Reserves and to complement the capabilities of the full time force, Defence:

- a) complete the validation of the Navy Integrated Program Scheme of Complement and develop the systems required for the effective management of the Australian Naval Reserve;
- b) rationalise the Army Reserve force structure to a level that is sustainable in the long term, ensuring that it is based on the Army concept of operations, the outcomes of the Roles and Tasks study and the resources available to the Reserve; and
- c) further develop the Air Force Reserve structure and establishment, based on operational requirements, with the aim of ensuring that the Reserve complements the Permanent Air Force structure.

Defence response

3.65 Defence provided the following response to Recommendation No.3:

- a) Agreed.
- b) Agreed, noting that the desired outcome from the RTA/ECF development is that the Army Reserve force structure is derived from strategic requirements, is capability based, and is sustainable, affordable and achievable within the limits of Reserve service.
- c) Agreed.

4. Personnel, Training and Readiness

This chapter provides details of Reserve personnel establishment and entitlements, training practices and associated issues and individual readiness and effectiveness standards.

Personnel

Australian Naval Reserve

4.1 In October 2000, a year after the creation of the General Reserve Integrated Program, some 2150 Australian Naval Reserve billets had been established. At the time of audit a review was in progress to verify the essentiality of these billets and it was expected that some would be abolished. Because ANR billets are usually part time it is possible for an ANR member to staff more than one billet and, conversely, for a single billet to be staffed by more than one member. Therefore, the number of billets does not directly reflect the number of Reserve members required.

4.2 Navy Reserve personnel levels at 30 June 2000 are summarised in Table 1.

Table 1
Navy Reserve personnel statistics, 30 June 2000

	<i>Officers</i>	<i>Sailors</i>	<i>Total</i>
CFTS ⁴⁸	74	70	144
General Reserve	528	411	939
Ready Reserve	4	16	20
Standby Reserve	1693	1337	3030
Total Reserve	2299	1834	4133

Source: The Quarterly Report of Naval Personnel

4.3 The ANAO experienced some difficulty in verifying the number of ANR personnel due to significant variations between different Navy databases. For example, the Navy Personnel Management System database indicated the total number of Reserve personnel to be 6900 including 5800 Standby Reserves. The ANAO analysed data from the CENRESPAY system and found that 3347 members were contained on

⁴⁸ CFTS stands for Continuous Full Time Service.

the database at 30 June 2000, of whom 1728 were paid for Reserve attendance during the year. The Quarterly Report of Naval Personnel stated that 1673 members had attended. Although the 1999–2000 Defence Annual Report showed that 1222 members of the ANR had an annual training obligation, the Quarterly Report showed only 959 members (939 General and 20 Ready Reserve) as having such an obligation. The new Defence personnel system (PMKEYS) may result in more reliable personnel statistics.

4.4 The ANAO noted a significant difference in the ratio of officers to sailors in the Permanent Naval Force and the ANR. In the PNF the ratio is more than 1:4; in the ANR it is less than 1:1. This difference suggests that officers are more willing than sailors to join the Reserve and has resulted in a comparatively skewed distribution of officers to sailors in the Reserve. Also, it may have longer term implications for Navy in respect of its ability to surge in the event of an emergency.

4.5 The employment of Naval Reserve members is determined by the level of funding provided. In 2000–2001, an amount of \$9.38 million was required to staff the Integrated Program Scheme of Complement. However, as historical data indicated that some of this tasking was unlikely to be achieved due to lack of available trained personnel and because of funds required to staff mandatory priorities in the Project Program, only \$7.48 million was allocated to the Integrated Program.

4.6 The Project Program provides for ANR input to short term tasking where the ANR member is not a permanent part of the force structure. Bids received for the Project Program totalled \$4.88 million, but only \$3.07 million was allocated to the Program. The highest priority for Project Program was the filling of Permanent Naval Force vacancies to maintain Navy capability. Other priorities were special activities such as the Sydney 2000 Olympic Games and Federation Celebrations. The remaining funds were allocated in accordance with the Chief of Navy Future Directions Implementation Plan and the likely availability of trained personnel.

4.7 Although there was a shortfall of almost \$4 million in funding to satisfy the bids for ANR tasking, it is unlikely that sufficient trained ANR members would have been available to meet the demand. In reducing the bids, consideration was given to the availability of suitable Reserve personnel. Historically, there has been under expenditure of funds due to insufficient Reservists being available when required.

4.8 In a recent paper to the Chief of Navy, the Director General Reserves—Navy, proposed greater use of the capability available within the ANR. He proposed that, where appropriate, employment of ANR members should be by individual contract that would stipulate performance parameters, deployment and other operational requirements. A suggested model for a deployable ANR included a minimum two year contract with 150 days service in the first year (for currency and/or pre-deployment training) followed by a nine month period of continuous full time service in an operational role in the second year. It was believed that a model of this nature, adjusted to meet individual circumstances, could increase the operational capability of the Navy but at a lower cost than the employment of a full time member. The paper canvassed the potential for Reserve members to be employed in a variety of situations in a more flexible way than at present.

Australian Army Reserve

Personnel Entitlements

4.9 Section 8 of the *Defence Act 1903* authorises the Chief of Army to determine establishment levels for manning and equipping the Army. The numerous Army units across Australia have their entitlements to personnel and equipment detailed in a unit Single Entitlement Document (SED). This is the authoritative document that details the title, role, organisation, personnel and equipment entitlements listed on the Order of Battle for the Army.

4.10 The SED contains four sections as follows:

- Section One—General Unit Information;
- Section Two—Personnel Entitlements;
- Section Three—Principal Item Entitlements; and
- Section Four—Other than Principal Item Entitlements.

4.11 Section Two of the SED contains a description of each position on the establishment of the unit including the rank, Corps and employment category code. It also indicates the number of positions required at the Operational Level of Capability (OLOC) and at the Minimum Level of Capability (MLOC) and whether the position is to be staffed by Australian Regular Army (ARA), General Reserve or civilian personnel. OLOC is that level of capability at which force elements have the necessary resources, and are sufficiently trained, to deploy and conduct specified roles and tasks. MLOC is the minimum level at which force elements can achieve their OLOC within assigned readiness notice. The number and type of personnel listed in the SED is dependent on the role and functions of the unit. Any variation in those roles and tasks can lead to a variation in the entitlement.

Reserve staff levels

4.12 The Army recognises that most of the present Reserve unit SEDs are out of date and in need of thorough revision. However, it has been decided that a comprehensive review of entitlements should be deferred until the current Roles and Tasks study has been completed. It is unlikely that a review of all units will be completed before the end of 2001.

4.13 At the time of the audit, the approved establishment for Army's General Reserve was over 31 000⁴⁹ positions, but the actual staffing was about 17 300 members. General Reserve personnel numbers as at 30 June 2000 are summarised in Table 2.

Table 2

Army General Reserve personnel, 30 June 2000

Defence Group	No.	%
Army HQ Executive	441	3
Combat Forces	10 758	62
Training & Education	1 756	10
Total Army Group	12 955	
Corporate Activities	1 085	6
Total Trained Force	14 040	
Training Force Establishment	3 261	19
Total General Reserve	17 301	100

Source: Army Monthly Liability and Strength Statement, 30 June 2000.

Authorised Army Reserve establishment and entitlements

4.14 The ANAO compared the authorised entitlement and actual staffing for officers and other ranks in the Regular Army and the General Reserve as at 18 October 2000. The results of this comparison are shown in Tables 3 and 4.

⁴⁹ Defence advise the Reserve establishment was not adjusted to allow for the Defence Reform Program.

Table 3**Regular and Reserve Army officers, liability against asset, 18 October 2000⁵⁰**

Rank	Regular Liability	Regular Asset	Reserve Liability	Reserve Asset
Brigadier/General	49	47	15	17
Colonel	108	107	65	53
Lt Colonel	473	421	327	281
Major	1 638	1 361	912	754
Captain	1 810	1 454	1 580	848
Lieutenant	910	966	927	756
Officer Cadet	628	634	746	567
Total	5 616	4 990	4 572	3 276

Source: AMAN database, 18 October 2000.

Table 4**Regular and Reserve Army other ranks, liability against asset, 18 October 2000**

Rank	Regular Liability	Regular Asset	Reserve Liability	Reserve Asset
Warrant Officer Class 1	446	448	130	200
Warrant Officer Class 2	1 946	1 690	976	611
Staff Sergeant	335	326	201	190
Sergeant	3 217	2 619	2 522	999
Corporal	5 053	4 014	5 256	1 993
Lance Corporal	941	942	494	922
Private	9 894	8 926	17 112	7 850
Total	21 832	18 965	26 691	12 765

Source: AMAN database, 18 October 2000.

4.15 The tables show that the authorised entitlement of officers to other ranks in the Australian Regular Army (ARA) is slightly less than 1:4 but is close to 1:6 in the Reserves. The difference in rank structure is most notable at the level of Major and above. The ARA had an establishment of 2268 officers; the Reserves had 1319. The difference is equally marked in terms of actual staffing, with 1936 officers in the ARA above the rank of Major and 1105 in the Reserves. The difference at these levels is largely attributable to the presence of senior staff at headquarters and other senior staff and instructional appointments that are not required in the Reserve. However, the most significant difference between the two elements occurs at the rank of Captain. The ARA has 1454 officers at this rank against an establishment of 1810, whereas the Reserve has only 848 against an authorised establishment of 1580 (less than 54% of the approved establishment).

⁵⁰ 'liability' refers to the approved personnel establishment and 'assets' to the posted personnel strength.

4.16 An examination of data for the other ranks reveals a similar situation. The establishment data reveals that the ratio of Non-Commissioned Officers (NCO) to Privates is about 1:0.8 in the ARA compared to 1:1.8 in the Reserve. In terms of actual staffing, the ratio is 1:0.9 in the ARA and 1:1.6 in the Reserve. Major differences in actual staffing occur at all ranks from Corporal and above. The ARA has 9097 members at Corporal and above compared to 3993 in the Reserve. The tables also show a marked shortfall in the actual number of Privates in the Reserve against the approved establishment. This shortfall highlights the recruitment difficulties experienced by the Reserve in recent years.

4.17 The differences between the ARA and the Reserves are significant at all levels but are marked at the Corporal and Sergeant levels where the Reserve staffing is less than 40% of the approved establishment. The comparatively low number of Corporals and Sergeants may be due to the high levels of separations from the Reserves during the first few years after recruitment. It may indicate that new members are not staying in the Reserve for sufficient time to qualify for promotion as NCOs. Of equal concern is the apparent shortage at levels above sergeant. The Reserve has 1001 members at Staff Sergeant and above; the ARA has 2464. These figures indicate that the Reserve is not attracting NCOs on discharge from the full time force. As NCOs are key leadership positions, both for training and in the field, the shortage of personnel at these levels has significant implications for the development of future members. It takes approximately five years for a member to qualify for promotion as Sergeant and it is evident that the present shortfall cannot be remedied quickly.

4.18 In general, the ratio of officers to other ranks and the ratio of NCOs to Privates is markedly lower in the Reserve than in the Regular Army. This is, in part, compensated by the ARA component attached to the Reserve, as this component primarily consists of officers and NCOs. The significant shortfall of Captains and NCOs in the Reserve needs to be addressed by Defence.

4.19 The ANAO recognises that once the roles and tasks exercise is completed, unit Single Entitlement Documents will be revised to reflect the changed activities of Reserve units. This is likely to result in a change to the number and ranks of positions in Reserve units. However, if Reserve units are expected to become more closely integrated with the ARA it is likely that the establishment will need to resemble that of Regular elements and this may exacerbate the shortages noted above.

4.20 Regardless of the changes that may occur, the ANAO considers the current figures reveal a fundamental problem in relation to the number of NCOs in the Reserve forces. If the Reserve is to be effective it is essential that there be sufficient NCOs to direct and control recruits following their allocation to units. Because of the recent shortfall in recruitment and, hence, historically low numbers of Privates, the impact of the shortage of NCOs has been ameliorated. However, if Army is successful in recruiting a significant number of new members the need for platoon and sections leaders will become increasingly important. In view of the length of time and training required to qualify for promotion to these levels special arrangements may be needed to provide sufficient numbers.

Recommendation No.4

4.21 The ANAO recommends that Army assess the adequacy of Non-Commissioned Officer numbers for the rationalised Reserve force structure and, if necessary, develop appropriate measures to fill the required establishment, in particular through the attraction of retired Australian Regular Army members.

Defence response

4.22 Defence provided the following response to Recommendation No.4: Agreed, noting that the establishment (or liability) of the future Reserve force structure will be determined through analysis of capability requirements. The adequacy of Non-Commissioned Officer numbers is fundamental to the development of a sustainable force structure. Proposals such as enhancing the transfer of ex-Regular members to the Reserve are welcomed and supported.

Women in Army combat roles

4.23 The ANAO used a firm of consultants to obtain a socio-economic profile of Army Reserve members. This analysis, which is detailed in Appendix 4, compared data concerning members of the Reserve who were enlisted in 1997 and in 2000. The percentage of females in the Army Reserve has increased from 15.1% in 1997 to 17.5% in 2000. Because women are precluded from combat duties, the increasing proportion of female Army members may have implications for the readiness of units for deployment. Women in combat roles is a tri-Service issue, but this section focuses on Army because the vast majority of female Reservists are located in Army.

4.24 During field inspections, the ANAO became aware that a number of female Army Reservists occupy positions involving combat duties. The ADF policy on the employment of women in the ADF is contained in Defence Instruction (General) 32-1 (January 1994). In summary, this policy states that men and women can compete equally for all employment categories, except those involving 'direct combat duties'. This policy excluded women from employment in armoured, artillery, combat engineers and infantry units. Prior to 1994, Army had a policy that allowed some latitude in allowing lower readiness Reserve combat units to employ women to a level not exceeding 10% of the authorised Reserve establishment.

4.25 Unlike the ARA, service and enlistment in the Army Reserve are regionally based. Therefore, the options for the employment of female members is more limited than in the Regular Army. In metropolitan areas it may be possible to place female members in non-combat units, but in regional Australia there may only be a single combat unit where the member can serve. If the 'women in combat' policy is strictly enforced potential female recruits in these areas could be lost to the Reserve. In some cases, exclusion of female recruits from combat units would render the units non-viable. An analysis undertaken by Army in the latter part of 1999 revealed that more than 850 females were posted to General Reserve combat units. This represented about 10% of the posted strength of these units.

4.26 The policy regarding the employment of women was reviewed in 1998. Arising from this review the ADF accepted that the employment of women is a combat/capability issue rather than a gender issue. It decided that further work was required to ascertain whether or not more employment areas could be opened to women and that thorough analysis of the policy was essential. It also decided that more scientific research, into physiological and psychological requirements, had to be conducted into competencies for trades skills before women could be included in artillery and combat engineers. Infantry and armour were excluded from any consideration at that stage.

4.27 In September 2000, a submission on the employment of women was considered by the Chief of Army Senior Advisory Group (CASAG). The submission stated that, historically, the Army Reserve has found it difficult to recruit sufficient male personnel to fill administrative and logistic support trades within combat units. These trades in Reserve combat units are commonly filled by servicewomen. The submission noted that work was proceeding on the employment of women in artillery and engineers but it would be some time before these reviews would be

completed. The submission considered four options for resolution of the issue of women in combat units. CASAG noted the difficulties confronting Reserve units and decided that servicewomen could be posted into non-combat trades in lower readiness units, but not on operations in combat units.

4.28 It is likely that the recent CASAG decision will resolve the immediate difficulty associated with employing women in combat units and is generally consistent with the policy that women not be employed on direct combat duties. However, it will mean that any women posted to high readiness Reserve units would have to be reposted and a contingency plan would need to be developed for the replacement of servicewomen in the event of low readiness units being brought to high readiness. The ANAO observed that the continuing use of women in Reserve combat units may be overstating the numbers of personnel available for deployment.

Royal Australian Air Force Reserve

4.29 The total Air Force Reserve strength is about 4410. The Active, Specialist and Ready Reserves comprise 1587 personnel and the General Reserve (standby group) comprises 2823 personnel. Air Force Reserve personnel levels for each of the Reserve groups are summarised as at 30 June 2000 in Table 5 and include active and standby Reserve officers and airmen/airwomen.

Table 5

Personnel levels of Air Force Reserve Groups, 30 June 2000

<i>Reserve Groups</i>	<i>Total</i>
Active Reserve	1200
Specialist Reserve	335
Ready Reserve	52
General Reserve (standby)	2823
Total Reserve	4410

Source: Director Reserves (Air Force) and Directorate of Workforce Planning and Establishments.

4.30 The ANAO compared the entitlement (liability) against actual numbers (asset) of Air Force Active, Specialist and Ready Reserve personnel by rank, as at 30 November 2000. The results of this comparison for both Reserve officers and airmen/airwomen are shown in Tables 6 and 7.

Table 6**Air Force Reserve officers, liability against asset, 30 November 2000**

Rank	Reserve officers			
	Number		Percentage of total	
	Liability	Asset	Liability	Asset
Air Commodore	1	1	0.1	0.1
Group Captain	36	21	3.7	3.1
Wing Commander	98	40	10.0	6.0
Squadron Leader	236	165	24.1	24.8
Flight Lieutenant	464	319	47.3	47.9
Flying Officer	100	62	10.2	9.3
Pilot Officer	2	6	0.2	0.9
Officer Cadet	3	19	0.3	2.9
Chaplain	40	33	4.1	5.0
Total	980	666	100.0	100.0

Source: Directorate of Workforce Planning and Establishments.

Table 7**Air Force Reserve other ranks, liability against asset, 30 November 2000**

Rank	Reserve other ranks			
	Number		Percentage of total	
	Liability	Asset	Liability	Asset
Warrant Officer	118	81	6.2	8.8
Flight Sergeant	180	97	9.4	10.5
Sergeant	327	163	17.2	17.7
Corporal	535	229	28.1	24.9
Leading Aircraftman/ Aircraftwoman	2	252	0.1	27.4
Aircraftman/Aircraftwoman	743	99	39.0	10.7
Total	1905	921	100.0	100.0

Source: Directorate of Workforce Planning and Establishments.

4.31 Tables 6 and 7 reveal that, overall, the posted strength of Air Force Reserve personnel was below the approved liability for most officer and other ranks. It also shows that there was a significant shortfall of Non-Commissioned Officers and aircraftsmen/aircraftswomen. These factors may impose limitations on the surge capability of the Air Force in defence of Australia operations. As noted in Chapter 2 of this report, the Air Force establishment for Reserves is currently under review and is likely to change markedly as a result of amendments to the Air Force wartime and peacetime establishments.

Training

Australian Naval Reserve

4.32 Under the total force concept proposed in the Millar Report, all elements of the force should have a similar standard of individual training.⁵¹ Then, the distinction between permanent members and Reserves would relate to their level of military experience and availability. Common standards would enable the effective integration of permanent and Reserve elements. As much as possible, individual training for Reserves was to be the same standard as for permanent members, with employment determining the scope of training.

4.33 Navy follows this principle to the extent that its Reservists undertake many of the same courses as the PNF. As Navy Reserves are largely ex-PNF, Navy undertakes only limited individual training for its Reservists. In the past three years, a total of 115 members have been recruited directly into the ANR. Some of these members have been in specialist categories, eg. doctors, nurses, legal officers, who do not require training in their employment category. Due to the relatively small numbers of members undergoing training, the ANAO did not conduct a detailed examination of ANR training activities. The following paragraphs outline the broad approach to training in the ANR.

4.34 The delivery of Navy training courses is largely centralised at HMAS *CERBERUS* and at Navy Personnel and Training Centre—West, HMAS *STIRLING*, with ANR officer training conducted at HMAS *CRESWELL*. An increasing use is also being made of distance learning, whereby students can complete courses by correspondence, without classroom attendance.

4.35 ANR members must contribute to the operational capability of the Navy through employment/service in a combat or combat related support area. That is, ANR members must possess appropriate competencies to meet this requirement. These competencies will then become key 'drivers' for any training, whether it is school based or on-the-job. It is envisaged that each category will develop work based competencies.

4.36 The scope of ANR service can be classified into formal training and on-the-job training components. The training process undertaken by an individual to gain employment related competencies is divided into induction, category, continuation and on-the-job components:

⁵¹ Report of the *Committee of Inquiry into the Citizen Military Forces*, Parliamentary Paper No. 56, 1974.

- Induction. Initial, entry-level education with some base level skill development;
- Category. Specific job related training consistent with the acquisition of competencies required to undertake defined tasks;
- Continuation. Maintenance of acquired category-related competencies, under supervision and in controlled situations; and
- On-the-job. The application of acquired competencies in a workplace or duty station, operation or exercise.

4.37 The initial ANR sailor recruit training is a ten week course. It provides the basic skills and knowledge for recruits to enter their service career. The course includes both classroom and practical activities.

4.38 As members move through more advanced competency levels, the Navy is able to forecast the number of ANR personnel it has available for any given task. PNF category sponsors determine the sequence of post initial category training to be undertaken by members of the ANR. This will include scheduling training day programs, programming training days and tasks and ensuring opportunities exist for individuals to develop and exercise their skills. The sequence of training is based on the quantity of training required, training implementation policy, the availability of training resources, the availability of ANR personnel for training and availability of funds for ANR training. An annual exercise of two weeks includes an assessment of modules undertaken during the year. Assessments are supervised by subject matter specialists.

4.39 A variety of methods can be used to present training modules. Each module has a specific outcome and its attainment forms the basis of remuneration for the ANR member. This arrangement, combined with predetermined completion dates, can provide a measure of predictability for funding, allocation of resources and scheduling. For those personnel fully qualified for their rank and skill levels, the annual period of General Reserve service allows time for the maintenance and consolidation of skills.

Australian Army Reserve

4.40 Historically, Army Reserve training has been structured around courses developed for permanent soldiers. These courses were modified to suit the time availability of part time soldiers and the skill sets required. Course lengths were generally of two weeks duration, as this was perceived to be the longest period of time that most Reservists would be available, given the competing demands from their family and full time employment.

4.41 In line with the total force concept, Army has now adopted an individual training regime that delivers common competencies for full time and part time personnel. In 1997, Recruit Common Induction Training (CIT) was introduced as the normal means of entry to the ARA and in a trial environment in two selected regions for the Army Reserve. CIT refers to both common recruit training and Initial Employment Training (IET). IET was only available for a few selected Corps. The concept envisaged infantry recruits undergoing a continuous period of about thirteen weeks training to obtain their full recruit and IET qualifications.

4.42 In March 1998 the Chief of Army directed that common recruit training was to be used nationally for all full time and part time recruits from 1 July 1998. Chief of Army also directed that IET be further developed in order that both full time and part time trainees achieve common competencies.

4.43 Chief of Army's intent in directing the introduction of CIT was to enable a significant improvement in the individual training standards of part time soldiers without detriment to existing standards for full time soldiers. CIT provides a firm and common base for initial employment within units and a consistent entry standard for further specialised training.

4.44 The underlying principles of CIT are:

- delivery of the same training to both permanent and Reservists;
- delivery of that training in a common environment, ie. both permanent and Reservists undertaking the same training at the same time and training venue;
- delivery of common training to the same training standard and level; and
- course design to be aligned with the principles of Competency Based Training and Assessment.

4.45 The alignment of full time and part time recruit training involved a reduction of full time recruit training down from ten weeks and an increase of the Reserve recruit course from two weeks to six weeks. It also removed the task of individual initial training from Reserve units. It was found that most part time recruits were not available to undertake both CIT and IET consecutively and the initial training was limited to recruit training only. Even this reduced level of commitment has had a marked effect on the availability of recruits.

4.46 CIT was introduced in accordance with the National Training Framework guidelines and the Australian National Training Authority standards for development of competencies for both part time and full time personnel. Legislated requirements of common competency are that individuals must be adequately individually trained. CIT also addressed the long term difficulty Army had experienced with the timely initial training of Reserve recruits.

Common Recruit Training

4.47 Recruit training is the first formal continuous training by Reserve soldiers. Because it entails a high standard of instruction and support facilities, it is conducted by the Recruit Training Battalion at Kapooka. The course covers the basic facets of soldiering, including:

- weapons, equipment and drill instruction;
- physical fitness and first aid; and
- the ethics and responsibilities of a member of the Australian Defence Force.

4.48 In 1996–97, Army commenced a trial of Common Recruit Training (CRT) in an effort to standardise competency based recruit training for permanent and Reserve personnel. This was intended to increase the readiness and capability of the Reserve. CRT provided a common basis for initial employment of both full time and part time recruits and a consistent entry standard for more specialised training. The trial was conducted initially in Victoria and Western Australia, with the aim of assessing the feasibility of extending this form of training to all General Reserve recruits. The CRT requirement was extended to all Reserve recruits in July 1998.

4.49 CRT requires that recruits commit to an initial training period of 45 days. This has restricted recruitment to applicants who are available for this period of time. In response to a marked decline in recruitment (dealt with further in Chapter 6), Army conducted a limited trial of modular recruit training in the latter part of 1999. The trial involved splitting the initial training into two periods of about three weeks with the second module to be completed within 12 months of the initial module. This modular training has now been implemented as training policy. The decision to split the Reserve training into modules may mean that the training of the Reserves is no longer identical with that of full time members. Delivery of the modular training also resulted in amended training schedules with consequent implications for the resourcing and scheduling of courses.

4.50 Apart from its impact on recruiting, CRT has generally been welcomed by Reserve units as it resulted in a better trained soldier and meant that all recruits had similar levels of competence on joining the unit. However, as a result of the recent revisions to these arrangements some recruits may serve in the unit for a period before undergoing initial training and others may have only partially completed their initial training during the time they are in the unit. This may lead to difficulties in organising appropriate training to match the varied knowledge and skills of individual recruits.

Initial Employment Training

4.51 Members who do not undergo IET immediately after completion of their CRT are likely to take at least 18 months of part time training to finish their IET. In many instances, the period may be much longer as the competencies required for many courses have increased, making it harder for Reserves to obtain the qualifications. Reservists may not always be able to attend the available courses because of family or work commitments. Some trades have been unable to offer part time positions or forecast the availability of part time courses. Also the content of some courses has not been finally determined. Occupational Health and Safety considerations and the requirements of competency based training make it difficult for units to employ Reserve personnel who have not completed IET training. These factors have contributed to a shortage of Reserves in some of the more highly skilled trades (eg. Signals) and are likely to exacerbate these shortages in the future, as members are unable to qualify for the more complex trades, due to length of time required for the training.

4.52 Prior to the adoption of CIT, Reserve members had to complete a 16 day IET but are now generally required to undertake training of significantly longer duration. This factor has also contributed to separations from the Reserves as members have realised that they may be unable to complete the necessary training. Some geographically remote units have experienced difficulty in finding sufficient funds to cover the expenses involved in sending members to training courses. Until a Reserve member is fully qualified for an employment category they are not able to participate fully in collective training.

4.53 During audit fieldwork, views were expressed that, in some employment categories, Reserve soldiers did not immediately require the full range of competencies delivered in IET courses. Particular competencies may only be essential for operational service, or for promotion, and members could undertake these aspects only when required. Some Corps have encouraged limited, unit based, individual training to provide the competencies necessary for individuals to participate in unit collective training activities. For instance, a member may be trained in three or four of the 10 competencies required for the employment category and employed in the field within the limits of this skill set.

4.54 The individual training liability for Reservists in all trades and occupations is increasing in both duration and complexity. There is a range of mainly valid reasons for the increase. These include transition to Competency Based Training and Assessment together with the flow-on impact of common competencies for ARA and Reserve officers and soldiers, Occupational Health and Safety considerations, the introduction into service of new equipment and operational lessons. Notwithstanding the validity of the reasons driving an increasing training bill, there are practical limits to the time that Reservists can commit to training. On the basis that the majority of Reservists can commit to only 50–70 days on average per year, it is clear that military trade and specialist qualifications can now only be attained over a period of several years. In some trades it is arguable whether a Reservist can ever attain the complete trade qualifications.

4.55 This issue is the subject of ongoing study by Defence. It is central to the Reserve Roles and Tasks study and the efficacy of employing Reservists to reinforce and roundout ARA units on operations. Reserve trade structures require review in order to develop trade training that can be completed by Reserve personnel and deliver a useful capability for Defence. The current philosophy of maintaining common military trade structures, whereby the Army Reserve trade is a mirror of the ARA trade, may not be sustainable. A revision of Army trades structures is a complex undertaking requiring the passage of developed trades cases through functional headquarters, Army Headquarters, Defence Personnel Executive (Employment Category Review Committee) and, ultimately, for determination by the Defence Force Remuneration Tribunal. The ANAO considers, however, that this review must be pursued by Defence.

Army Reserve collective training

4.56 In accordance with the general direction of training set by the Chief of Army, individual commanders are responsible for setting their own directives for unit training purposes. The Commander 2nd Division issues a training directive that provides training objectives for brigades within the division. The brigade commanders and individual units interpret and apply this training directive to produce their own training directives which specify the particular activities to be undertaken by units during the year. The 2nd Division training directive provides guidelines on the preparation of training exercise objectives and directives. These guidelines outline:

- actions to be performed;
- conditions under which tasks are to be performed, including terrain, enemy forces, physical demands and support from other units/services; and
- standards of performance.

4.57 Reserve unit training directives are based on higher headquarters training directives and specify in more detail what is to be achieved. Unit commanders should have regard to equipment, manpower and resource constraints in determining the activities to be conducted.

4.58 Most collective competencies are developed during periods of continuous training, provided the majority of personnel are available to participate in the activity. Many Reserve personnel are able to make themselves available for only one period of continuous training per year and hence are unable to support a regime based on several periods of continuous training. Within formations, it may be necessary to segregate personnel into units of differing readiness to maximise the training opportunities available to those members who are able to make a significant time commitment. The greater the number of days of collective training undertaken by individuals with a high level of individual and collective skills, the greater the capability generated. It is advantageous if individuals have achieved a common training standard at the commencement of collective training. Preferably, individuals marching into units should be kept together, if possible, to create a common base for the conduct of training.

4.59 Fragmented attendance by part time members is the most significant obstacle to effective collective training in units. Poor availability of Reserve members for collective training has resulted in units having to conduct repetitive and wasteful training, with consequent lower morale for those who do attend regularly. Personnel are often not available for training en masse and this contributes to a situation where:

- some available, but not individually trained, members cannot fully participate in collective training; and
- some individually trained members are not available to undertake collective training.

4.60 The end result is that only a relatively low proportion of the unit is engaged in the conduct of capability generating collective training and the training may need to be repeated in order to get a 'critical mass' of members attending to achieve the best training results.

4.61 Training obligations are only fixed as a total number of days of annual attendance rather than attendance at specific training activities. As a consequence, the level of attendance on any occasion is unpredictable. Collective training thus requires the formation of *ad hoc* composite platoons or companies, since not enough members of a particular platoon are present for it to train effectively. Continuity of training through a steadily escalating series of activities rarely occurs. Many of the members of a platoon who attended an enabling training activity are absent from the next stage, and those who are present for the next stage may not have received the preliminary instruction. Reserve unit training standards do rise above individual skill competence during annual two week concentration periods, but much of the experience gained during these annual exercises is subsequently lost.

4.62 The proposed legislative changes that will enable the payment of compensation to employers and to self employed personnel may result in an increase in the number of members available for extended periods of training. However, there is a need to ensure that any additional expenditure provides a commensurate return in increased capability. Greater attention needs to be given at the recruitment stage to the ability of individuals to make a commitment to be available for periods of continuous training. As indicated above, it is unlikely that, for the majority of recruits, a commitment for the current minimum period of 14 days would be adequate to develop the required individual and collective skills. It is more likely that in most cases attendance for a period in excess of 30 days would be necessary.

4.63 A wide range of issues relating to the planning, conduct and evaluation of training and the management of resources, requires resolution. The ANAO noted various internal Defence reports indicating that the ability of units to undertake collective training was hampered by a shortage of equipment. Equipment holdings can fundamentally affect the capacity to conduct realistic, role related, collective training. Collective training will require close cooperation of the bulk of unit members and training staff to raise morale and avoid financial costs of repetition. Personnel need be available for collective training and be retained long enough for Army to reap a dividend from its investment in individual training. If recruits cannot attend and assimilate individual and collective training and remain in the service for four or five years, it is likely that Army will not develop the collective capability it requires.

4.64 In summary, there is a body of evidence indicating that the Army Reserve is not providing a level of collective capability commensurate with the resources being expended. Although a reasonable proportion of members are attending for sufficient time to develop these capabilities the Army cannot ensure that groups of members attend at the same time to enable the development of the necessary cohesion and team skills to be fully effective. It is apparent that for part time soldiers the development of collective capabilities will take some time to develop. Unless Army can recruit sufficient members willing to make a commitment of this nature, it raises doubts about the ability of the Reserve to make a substantial contribution to Australia's defence capability.

4.65 In addition to obtaining a commitment to serve for an appropriate minimum period, Army needs to develop processes to ensure that a high percentage of members attend at the same time and thus permit a substantial element of continuity in the training of groups of members. This might be achieved by specifying, at the beginning of each training year, the number of training activities at which attendance is compulsory and that failure to attend could result in discharge. An alternative approach could be to make attendance at the specified activities a condition of receiving a proficiency bonus.

4.66 Defence commented that fear of losing people has resulted in non-compulsion to attend specific activities. The ANAO considers that a proficiency based bonus or recognition of service for medal purposes based on the achievement of measured competencies, rather than on days attended, is worthy of further examination. The introduction of a bonus of this nature would need to be justified on cost benefit grounds.

Royal Australian Air Force Reserve

4.67 Within Air Force, Training Command has the responsibility to provide ground training to the Reserve. The Staff Officer, Reserve Training, is responsible for the development of Reserve training policy and for the oversight of training functions undertaken in Reserve squadrons by their training flights and sections. Each Reserve squadron has the capacity to manage and deliver training courses using their own and local Permanent Air Force resources. A standard management training organisation and system was introduced in 1998 to ensure common training and standards. Reservists have access to all PAF initial and promotion courses and a broad range of PAF post-graduate courses, although the means of delivery may differ. In recent years, the availability of short term basic trade courses through flexible learning has increased the ongoing development of modular courses. Higher level technology aircraft and avionics trade skill training to PAF standards is also available on a limited basis.

4.68 The Senior Training Officer has responsibility for the overall management of the training flight and is functionally responsible for the ground training and training management functions. Training and Management Support Section in each squadron has responsibility for:

- all administrative training matters, such as maintenance and custody of training records, development of training schedules and training bids;
- initial training, including initial officer and recruit training;
- post-graduate training, including identifying and nominating personnel for courses;
- basic trade/specification training, including technical and non-technical training; and
- continuation and general service training, including ground combat, physical fitness and fire fighting.

4.69 Although the Contingency Operations Reserve Group currently contains personnel with high levels of technical skill, the number of such personnel is expected to decrease and they are unlikely to be replaced with direct entry recruits. Direct entry recruits, generally, do not have the availability to undertake the extended training demands of complex technical training. Reservists will be most effective in employment tasks that require shorter periods of training. As part of the longer term proposal for an expanded Reserve, it is intended to develop special employment categories for Reserves with a reduced number of competencies than are presently required for employment categories in the PAF. This could reduce the training requirement to a level more compatible with the shorter time available to train Reservists. All Reserve

Group personnel undergo mandatory weapons training and ground combat training to the same syllabus and standards as the PAF.

4.70 Reserve personnel are to be trained to meet contingency, not peacetime, employment requirements. In a contingency the two main areas of employment could be as part of the initial deployment force or as backfill for contingency activation positions.

4.71 The primary limitation on the training of Reservists is the availability of the personnel to attend extended courses that require continuous attendance and intensive course work. The vast majority of Reservists are unable to serve more than 50 days per year and, under current arrangements, this generally precludes Reservists from entering the aircraft and avionics trades. Also the low levels of recruiting and 'trickle' entry has caused more general training difficulties by not producing viable trainee numbers for attendance at courses. Further, the training cost of long duration courses imposes limitations on Reservist training. Such expensive training is usually not offered to a Reservist because, without any binding return of service obligation, a return on the Air Force investment cannot be guaranteed. In summary, complex and highly technical training is generally not available for Reserve members.

4.72 In the last three financial years direct entry recruitment to the Air Force Reserve has totalled 269 personnel. Most have been recruited to the Ground Defence Reserve Group. These recruits accept an initial service obligation of five years made up of 11 months full time training followed by four years and one month of part time service. The full time period comprises a seven week recruit course and a 13 week Airfield Defence Guard basic course, with the balance spent at an Airfield Defence Squadron. The part time service involves about 50 days training made up of two or three periods of approximately two weeks continuous service, weekend service or attendance at promotional courses.

4.73 The retention of Ground Defence Reserve Group recruits has been unsatisfactory. A review of the scheme in July 1999 showed that 85 members out of a total of 151 had failed to complete the training in the period from March 1998 and June 1999. The report also showed that the direct cost of basic training for each recruit was more than \$32 000. The high rate of wastage of trainees raises questions about the Ground Defence Reserve training scheme and whether continuation of this form of Reserve training is justified. The ANAO considers that, in view of the rate of separations and the significant costs of training, the Air Force should review recruitment to the Ground Defence Reserve Group and examine other options to provide this capability. One possible option would be to have elements of this function undertaken by the Army and consequently reduce the number of Ground Defence Reserves required by Air Force.

Recommendation No.5

4.74 The ANAO recommends that, in order to enhance Reserve training, Defence examine the feasibility of:

- a) developing special employment categories for Reserve personnel, based on sub-sets of the competencies required for full trade qualifications, that can be obtained as a base level qualification within Reserves' available training times, noting that this may be an incremental step towards achievement of a full qualification;
- b) increasing Army Reservist attendance at collective training activities, through measures such as specifying required periods of attendance and/or the payment of a suitable proficiency bonus; and
- c) reviewing recruitment to the Ground Defence Reserve and examining other options to provide this capability, including the use of Army personnel to perform certain aspects of airfield defence.

Defence response

4.75 Defence provided the following response to Recommendation No.5:

- a) Agreed. Army has designed special categories of employment (ECNs) that enable a Reservist to gain an employment qualification at a base level but this has been done to enable the member to undertake basic tasking in a peacetime unit training environment, eg. combat medic as part of the overall qualification of Medical Assistant. These special employment categories are provided so that the member may attain a base level qualification, ideally accompanied with an appropriate pay level in recognition of the limited competencies attained. The part qualification should act as an incentive to achieve further competencies on the way to full qualification. Defence's view is that special employment categories should not be an endstate for the Army Reserve, rather they are incremental advancement to the achievement of full qualification.
- b) Agreed in principle, subject to further examination of which specific measures might be included. If the Reserves are to make an enhanced collective capability contribution, then adequate measures to ensure compliance with obligatory training requirements need to be in place to ensure an effective outcome. The provision of bonuses or other incentives should not be implemented in isolation, but should result from a detailed analysis of all possible measures to sustain a reliable Reserve contribution, such as a proficiency based bonus or recognition of service for medal purposes, based on the achievement of measured competencies rather than on days attended. Before specific measures are implemented, a cost benefit analysis would need to be undertaken.

- c) Agreed, noting that Defence is not opposed to the notion of rationalizing capabilities across the Services where such an outcome enhances total capability.

Readiness of Reserve personnel

Required period of service

4.76 Section 50 (2A) of the *Defence Act 1903* contains provisions relating to the minimum period of service required annually of members of the Army Reserve. Section 44 (1) enables the Chief of Army to discharge members who fail to render service as prescribed in Section 50. Since 1993, the minimum period has been specified as seven days for specialist consultants and 14 days for other members.

4.77 Under the provisions of the *Naval Defence Act 1910* members of the ANR, may, at any time, voluntarily undertake to render naval service for a period or periods specified by them, and are then bound to render that service for the period, or periods, as the Chief of the Navy directs. For some specialist ANR officers, such as medical, dental and legal, who are currently in the General Reserve, one day has been set as the minimum attendance to remain efficient. To maintain efficiency, other members of the General Reserve are required to render 20 days service; a member of the Standby Reserve has no minimum period of service.

4.78 Under the *Air Force Act 1923* the minimum periods of service necessary to maintain efficiency have been specified as seven days for members of the Specialist Reserve and 32 days for the Active Reserve.

4.79 An initiative by the Defence Personnel Executive in 1999 resulted in the Services agreeing that, for the purposes of decorations and awards and subsidised housing loans, a minimum period of 20 days was required, but this has not been translated into a formal determination by each Service Chief. Members of the ADF Reserves must satisfy the minimum annual period of service required by their Service Chief, to be eligible for the Reserve Force Decoration and Medal and for the Defence Home Owner Scheme Loan.⁵² In July 1999, the Deputy Chief of Navy agreed that members of the ANR would be required to attend for a minimum period of 20 days each year for the purposes of decorations, awards and subsidised housing loans.

⁵² Department of Defence, Army User Guide for Reserve Forces, DGPERS-A, July 2000, p.92.

Australian Naval Reserve

4.80 The ANAO analysed data from Navy personnel records for 1998–99 and 1999–2000 and found that a substantial number of General Reserve members had failed to attend. In 1998–99, 764 members out of a total of 988 had attended and, in 1999–2000, 728 had attended out of 939. These figures indicate that in the past two years over 200 members had not attended training each year. The figures also revealed that the failure to attend was significantly higher for officers.

4.81 There is no minimum attendance requirement for members of the Standby Reserve. However, the statistics revealed that 820 Standby Reservists attended for an average of 35 days in 1998–99 and 945 attended for an average of 41 days in 1999–2000. A comparison of recorded membership showed a significant decline from 3972 members in 1998–99 to 3030 in 1999–2000. The total number of training days for all ANR members increased from 55 415 to 67 459. This increase may be due to the increased reliance being placed on the ANR to meet a shortfall in recruitment to the Navy. At the same time, there was growth in the number of ANR members on continuous full time service, with the figures increasing from 67 to 144. The ANAO observed that the standby component of the Reserve is now the source of more resources than the General (ie. active) Reserve. The ANAO considers it may be more appropriate to identify these members as belonging to the General Reserve.

Australian Army

4.82 An ANAO analysis of CENRESPAY (Reserve pay system) data for 1999–2000 indicated that, of the members who were enlisted for the full year (excluding recruits and discharges during the year), 12 700 (around 70%) had met the minimum annual training commitment of 14 days. Of these, some 10 700 (58%) attended training for more than 26 days in the year. Although Army does not have a formal policy for determining effective Reserve service, the Chief of Army, in evidence to the Senate 'Estimates Committee', stated that '*members were expected to attend for something in the order of 26 days a year to be efficient and effective*'.⁵³ Against this criterion, over 40% of the present Army Reserve membership would not be considered to be efficient and effective.

⁵³ Evidence to the Senate Foreign Affairs, Defence and Trade Legislation Committee, 30 May 2000, p.180.

4.83 Although almost 60% of Army Reserve members have achieved sufficient attendance to be individually effective, as outlined in Chapter 3 the Reserve is capable of providing only a very limited collective capability. This gives rise to concern about the utility of the training that is provided to those members who do attend. In terms of capability development, the gross number of days attended is not as critical as attendance at specific unit collective training activities. A continuous period of attendance by all members is far better for the development of collective competency than fragmented attendance, even if it is for more days in total. It is also more cost effective. In addition, if different members attend on different occasions the end result is likely to be repetitive training that will be frustrating for those members attending on a regular basis. Because Reserve members attend on a voluntary basis it is not possible to compel all members to attend at the same time. In the past, the majority of Reservists have been in full time employment and, in many instances, the demands of their primary employer must take precedence. The legislative amendments enabling the payment of compensation to employers (while Reserves attend training) may enhance the availability of Reservists for collective training.

4.84 Various other options have been considered to encourage more consistent attendance at training, including:

- payment of a proficiency bonus for achievement of specified competencies;
- contract engagements with specified attendance requirements; and
- targeted recruitment aimed at attracting individuals in part time or casual employment.

Royal Australian Air Force Reserve

4.85 An ANAO analysis of CENRESPAY data for Air Force reservists 1999–2000 revealed that 1 016 of the 1 250 Reservists (some 81%) with an annual training commitment of 32 days, had attended for at least this amount of time.

ANAO comment

4.86 As outlined above, each Service has set different attendance standards for its Reserve members to be deemed as 'efficient'. Similarly, each Service has established a different standard for the maximum number of training days for Reservists (ie. Navy–150 days, Army–100 days and Air Force–130 days). These limits can be exceeded with approval by a Service Chief or high level delegate.

4.87 Although minimum periods for Reserve attendance have been determined, it is evident that they are not being strictly enforced. The ANAO recognises that a range of factors may affect a Reservist's attendance including:

- the voluntary nature of Reserve service makes it difficult to compel attendance;
- Defence is frequently not the primary employer and attendance at Reserve training may not receive first priority;
- seasonal employment may result in long periods of absence;
- members may simply cease attending without formal advice;
- the domestic or employment circumstances of a Reservist may change from time to time causing fluctuations in their attendance; and
- special projects or extra training requirements may lead to extended periods of attendance.

4.88 Despite these factors the ANAO considers that tighter management of attendance standards would enhance the overall effectiveness of the Reserves. Failure to discharge members who are not satisfying minimum attendance standards can lead to membership numbers being overstated, with consequent implications for resourcing and capability planning. Similarly, the maximum period of attendance has implications for resource requirements. The upper limits of attendance have presumably been based on an assessment of the time required for a member to remain effective. The substantial numbers of members exceeding these maximum limits may indicate either members attending unnecessarily or that the limits are no longer realistic. Army advised that members' attendance may exceed the maximum limit because of duties that are not direct training activities but are required for administrative support. In either event, it is considered that the management of training day limits appears to warrant review. Such a review could also examine the justification for the difference in attendance requirements among the three Services.

Individual Readiness Standards

4.89 An ADF policy on individual readiness, Defence Instruction (General) PERS 36-2, was promulgated in March 2000. This instruction aligns the general principles of individual readiness across the Services. The instruction requires each Service to establish the particular requirements, employment proficiency, personal weapon proficiency, physical fitness, medical fitness and dental fitness as part of their capability management responsibilities. They are also required to implement appropriate systems for establishing and maintaining

individual readiness standards, monitoring individual readiness and providing reports for consideration by the Chiefs of Staff Committee.

4.90 DI(G) PERS 16–15 (April 2000) deals with the ADF medical employment classification system. DI(G) PERS 16–17 (August 2000) deals with locality restriction for dental treatment. Defence commented that these instructions align medical and dental aspects of individual readiness across the Services. However, the ANAO noted that these instructions do not detail all medical and dental aspects of individual readiness for Reserve members.

Royal Australian Navy

4.91 At the time of audit fieldwork, Navy was still developing a policy for the individual readiness of its personnel and appropriate systems for monitoring and maintaining individual readiness standards. The ANAO considers that Navy should give priority to finalising a Reserve individual readiness policy and associated systems. Navy has advised that its Reserve individual readiness policy will be released in 2001.

Australian Army

4.92 In December 1997, Army introduced the Army Individual Readiness Notice to determine the deployability of permanent and Reserve personnel. To comply with the notice an individual member must exceed the minimum standards set for six individual readiness components. The six components are:

- Employment proficiency. Personnel are to be proficient in the rank and employment to which they are posted. They are to be assessed annually.
- Physical fitness. Personnel are to pass a Basic Fitness Assessment twice annually.
- Personal weapons proficiency. Personnel are to achieve annually at least an average standard in the nine F88 Steyr rifle training tests.
- Medical fitness. Personnel are required to be medically assessed periodically in accordance with the medical examination policy and meet the minimum medical requirements for deployability in their trade or employment category.
- Dental fitness. As a minimum, personnel are to be examined biennially and maintain a minimum dental standard.
- Individual availability. Personnel are to identify annually any legal and compassionate encumbrances that would prevent them being called out or deployed within 30 days.

4.93 It is not clear that there is a legal basis to discharge a Reserve member who has failed to comply with Army Individual Readiness Notice (AIRN) requirements.

4.94 An ANAO audit, conducted in 1999, found that Army records indicated that only 34% of Army Reserve members were fully AIRN compliant.⁵⁴ Some 21% of members had received temporary exemption from readiness requirements and a further 28% were not ready. The AIRN status of 17% of members was not recorded. Table 8 compares the 1999 AIRN compliance results for Reserve members with Army individual readiness data in 2000.

Table 8

Army Individual Readiness Notice compliance data, 1999 and 2000

<i>AIRN Classification</i>	<i>1999¹</i>	<i>2000²</i>
Ready to deploy	5362	6436
Not ready to deploy	4579	4322
Temporary exemption	3310	2596
Unrecorded	2698	3615
Totals	15 949	16 969

1. Source: ANAO Audit Report No.26 1999-2000, *Army Individual Readiness Notice*, p.100.

2. Source: Army Manpower database, 30 September 2000.

4.95 Table 8 shows some improvement in the proportion of AIRN compliant Reservists. The percentage of members ready to deploy has improved from 34% in 1999 to 38% by 30 September 2000. The percentage of members assessed as not ready had fallen to 26% and the percentage receiving temporary exemption from readiness requirements had fallen to 15%. The AIRN status of members not recorded, however, had risen to 21%.

4.96 ANAO fieldwork indicated, however, that there were significant differences among units in their compliance with AIRN requirements and it appeared that the application of standards may vary. For example, 11 Brigade based in Townsville was noted to use physical training instructors from outside the unit to conduct the evaluation and ensure an objective assessment of physical fitness, whereas other units were using internal resources.

⁵⁴ ANAO Audit Report No.26, 1999-2000, *Army Individual Readiness Notice*, p.100.

4.97 Defence records indicated that in the past twelve months Reserve brigades have made a concerted effort to ensure members comply with AIRN requirements. However, the ANAO was advised that Reserve units were experiencing difficulty in arranging the necessary medical and dental examinations for their members. In particular, achievement of the dental standards required at the time was posing problems. Apart from the difficulty of arranging dental examinations, members were personally responsible for meeting the costs of any dental treatment required to meet dental standards.

4.98 Since the ANAO audit, there has been a re-examination of the policy within Army and in July 2000 agreement was reached on action to enhance the AIRN policy. One significant change has been to reduce the dental fitness requirement for part time members. The requirement for part time members to be at Dental Class 2 has been replaced by dental screening at entry. Only those part time members required to be at high readiness levels for overseas deployment would be required to meet Dental Class 2 or higher.

Royal Australian Air Force

4.99 Air Force Instruction (DI(AF) OPS 4–8) (April 2000) outlines individual readiness policy provisions for Air Force members. The readiness requirements specified in the instruction apply to all Air Force personnel employed on continuous full time duty. The Air Force policy is basically similar to the Army requirements in AIRN and require appropriate standards of employment proficiency, physical fitness, personal weapons proficiency, medical and dental fitness and availability.

4.100 The instruction states that members of the Air Force General Reserve, not employed on continuous full time duty, are exempt from all aspects of the individual readiness requirements. Members of the Specialist Reserve are exempt from all aspects but are encouraged to complete an annual physical fitness test and to maintain medical and dental currency. The instruction only requires members of the Active Reserve to comply with the physical fitness assessment. Reserve members wishing to comply voluntarily with the readiness requirements for the award of an Individual Readiness Badge (awarded to all members complying with the readiness requirements) are required to produce medical and dental certificates, obtained at their own expense, certifying their compliance with these components of readiness.

4.101 It is understood that the different conditions of service for PAF and Reserve members and possible differences in the period of notice created difficulties in establishing a common set of standards. Also, the imminent legislative changes and a possible review of conditions of service may have had implications for the future use of Reserves required for deployability. In addition, the exemption of Air Force Reserve members had regard to cost implications associated with medical and dental examinations and annual weapons proficiency. The decision to exempt Reservists and, in particular, the requirement for them to obtain medical and dental certificates at their own expense has caused dissatisfaction among Reserve members. It is understood that agreement has now been reached to provide medical checks for Reservists at Air Force expense.

4.102 Prior to the issue of the instruction, considerable emphasis had been placed on members maintaining a high standard of readiness in the belief that the Air Force Active Reserve was an integral part of the combat force. The ANAO was informed that about 90% of Reserve members had complied with the readiness standards. In this respect, ANAO noted that more than 250 members of the Reserve were available, trained and deployed on full time service in support of the East Timor operation.

4.103 The ANAO observed that the Air Force policy in relation to individual readiness for Reservists differed markedly from Army's. The ANAO recognises that it may not be appropriate to fully align the individual readiness policies for all three Services due to differing environmental and employment requirements. However, the ANAO considers that, within each Service, there are sound reasons to have the same individual readiness standards for active Reserve and permanent members.

Individual effectiveness

4.104 In determining a minimum period of one day's service, Navy had sought to retain the discretion of the Chief of Navy to determine the efficiency of members on an individual basis. This has regard to the different forms of civilian or military skills of members joining the Reserve and the amount of training required for trade skills maintenance. It is considered there should be no waste of resources by compelling a minimum level of attendance that may not be required to maintain a satisfactory level of competence.

4.105 Many members of the ANR are former members of the PNF and, as such, enter fully trained. Direct entry members, for specialists such as medical, dental, musician, legal and public affairs, complete introductory training as course vacancies arise. Categories which are specific to the ANR, having no PNF equivalent, such as shallow water divers and naval

control of shipping, complete initial training at HMAS *CERBERUS* (for sailors) and HMAS *CRESWELL* (for officers). Initial and ongoing training is completed side-by-side with PNF members for equivalent categories, while ANR specific courses are completed as numbers warrant. All ANR members complete initial and ongoing training, as part of their annual training commitment, which varies on a billet by billet basis of between one and 150 days.

4.106 Army practice provides functional commanders with the responsibility for prescribing appropriate periods of training to determine 'effectiveness' within their respective commands. This practice has not, however, been promulgated and Army is currently developing a draft policy for consideration. For the 2nd Division, which contains the bulk of Reserve members, it was determined in May 1997 that effective service consisted of having met Army Individual Readiness Notice requirements and completed service, in accordance with a performance agreement, consisting of at least nine days continuous training and ten non-continuous days per annum.

4.107 At present, the efficiency criterion is based on inputs only, ie. attendance, and does not measure outputs, ie. ability to perform at a certain standard. It would appear that Army is attempting to achieve basic levels of proficiency through AIRN but the minimum training requirements may not provide sufficient time for this objective. As the minimum training period is the only requirement prescribed by the *Defence Act 1903*, there may be no legal basis for discharging Reserve members who do not achieve the effectiveness standards. It would be preferable to amend the minimum period of service required, to correspond with the time necessary to achieve individual readiness standards.

4.108 Currently, there is no prescribed minimum period in which a Reserve member must comply with AIRN requirements. The achievement of specific competencies will vary depending on the trade, rank, current employment and unit readiness requirement. It will also vary depending on the resourcing of the unit and the unit's ability to organise training and opportunities for the members to exercise their required competencies. However, it is considered that Army should develop maximum periods, by Corps and rank, for the attainment of the required competencies. It should be the combined responsibility of both the individual and the unit to ensure that the specified competencies are achieved within that timeframe. The percentage of members achieving the desired standard within this timeframe, or the number of waivers granted to members failing to reach the standard, would then serve as an important performance measure for the unit.

4.109 Initially, Army Reserve recruits were expected to undergo Common Recruit Training for a period of 45 days but Army recently introduced modular options. On completion of CRT, recruits are encouraged to attend for a further period of Initial Employment Training. Members who are unable to complete their IET at the same time as their induction training would be required to complete their employment training during their part time service in a unit. ANAO inquiries indicated that members attending for 26 days a year would take two to three years to complete their IET. For those Reserve members attending for only the prescribed 14 day minimum period, it would take a considerable time for them to achieve their IET competencies. Indeed, they might never achieve them.

4.110 The present level of funding for Army Reserve units is based on members attending about 45 days per year. As outlined earlier, there is a wide variation in attendance by members of the Reserve, with about 30% attending for less than the minimum prescribed period, 42% attending for 45 days and some 20% attending for more than 70 days. About 60% of members regularly attend for 26 or more days per year.

4.111 Air Force has also adopted a flexible approach in specifying the minimum period of attendance by specifying varying periods of attendance relating to the category of Reserves where the member is employed. These periods range from three to 50 days. These periods have been determined having regard to the training deemed necessary for the members to retain currency of their employment skills.

4.112 The ANAO considers that the minimum training period specified in the Regulations should be equated with the period necessary to achieve and maintain proficiency at each rank and trade. It is recognised that, as the minimum period may vary among units and individuals, specification of a precise number of days may not be appropriate. It may be preferable to define the minimum period of service as that deemed necessary, by the functional commander, for members to achieve individual and collective proficiency.

Recommendation No.6

4.113 The ANAO recommends that, to improve the availability of appropriately trained and deployable Reserve personnel, Defence:

- a) ensure the Services monitor and enforce compliance with the minimum prescribed periods of service;
- b) ensure individual readiness standards for Navy Reserve personnel are formally promulgated;
- c) ensure that, within each Service, the same individual readiness standards apply to active Reserve and permanent members; and
- d) examine the feasibility of developing standards within each Service, specifying the minimum periods of annual service necessary for each Reserve category to achieve and maintain the necessary knowledge and skills required for proficiency at each rank and trade.

Defence response

4.114 Defence provided the following response to Recommendation No.6:

- a) Agreed.
- b) Agreed.
- c) Agreed in principle. Defence notes that changes to align individual readiness requirements and standards with required readiness levels have been endorsed within Army and should be promulgated shortly. As the individual readiness of a member is increased, so will the requirement to achieve and maintain required levels and standards of individual readiness increase. When a Reservist is required to attain and maintain levels of readiness commensurate with Regular members, provision will be made to ensure the Reservist can achieve the required standards.
- d) Agreed.

5. Resources and Costs

This chapter identifies the level of support provided to the Reserves by permanent members as well as the level of equipment and facilities required. The chapter also presents an indicative annual costing of ADF Reserve operations.

Full time component

5.1 Due to the integrated structure of the Australian Naval Reserve, its reliance on former members of the Permanent Naval Force and its geographically dispersed nature, the Navy does not require a significant number of permanent members to manage its Reserve element. Some permanent members are associated with Reserve groups, eg. naval control of shipping, mine warfare groups and clearance divers. The integration of the ANR with the PNF has meant that management of the Reserve element is largely conducted with, and by the same structures as exist for, the management of PNF elements.

5.2 Each Army Reserve unit has a number of Australian Regular Army personnel to assist with unit training. These full time staff are responsible for much of the detailed aspects of planning and administration and their role is vital to the effective functioning of the unit. In association with the revitalisation of the Reserves the Chief of Army directed that the ARA component of the Reserves be increased to 10% in 4 and 13 Brigades. The increase in the full time component was seen as integral to the revitalisation activity.

5.3 At 30 June 2000, the authorised ARA establishment within 2nd Division was 891 and the authorised strength of the Reserves was 12 987. The full time component represented 6.9% of the total established strength of the division. In terms of actual numbers there were 914 full time personnel and only 6 034 Reservists (resulting in 13.2% full time staff). The ANAO has calculated that the direct cost of the full time component (including housing and superannuation benefits) is in excess of \$100 million per annum and as such is a major investment by Army in the Reserve and significantly exceeds the salary costs of the Reserves. The cost to the ARA is not simply the dollars involved but the loss of capability arising from the removal of trained and experienced members from full time operational units. In respect of this latter point, within Land Command, the number of full time members equates to about 10% of the permanent combat force.

5.4 ANAO discussions with senior personnel in Reserve units indicated that the number and quality of full time personnel were critical to the operation of the units and that the success of the unit was dependent on the contribution of the full time component. The August 2000 Joint Committee on Foreign Affairs, Defence and Trade report proposed an alternative personnel model for the Army.⁵⁵ The proposed model differed significantly from the present Reserve model in that no unit would be staffed with less than 20% of full time personnel. Following an Army seminar on Reserves roles and tasks in October 2000, it was decided that, in future, the full time component would be based on 8% of unit strength. However, the decision did not indicate whether the percentage would be based on established strength or actual staff.

5.5 Defence commenced a study into retention and recruitment in 1999–2000.⁵⁶ Although this review is ongoing, initial findings are that there is a poor understanding of Reserve requirements by the full time component. Reservists feel that many administrative problems stem from the failure of the full time members to recognise the different needs of Reserve formations. A major difficulty related to changes in planned activities when Reservists had made arrangements to be absent from work or families only to find that the activities had been postponed or cancelled with little notice. The review recommended that a short induction program be introduced for full time staff to provide them with a better understanding of the administrative procedure associated with Reserve units and the need for flexibility to take account of Reserve circumstances.

5.6 The ANAO also noted that, in some units, the full time members were not always at the appropriate rank and trade. The ANAO concurs with the view that the contribution of the full time members is integral to the success of Reserve units and that if the investment in providing full time personnel is to be justified they must have appropriate skills to perform their assigned role.

5.7 The cost of providing ARA soldiers to participate in the administration and training of Reserve units is substantial both in resources and capability no longer available to full time units. The ANAO found that the direct cost of maintaining full time personnel in Reserve units is more than one third of the total direct costs of Reserve units. In these circumstances, it is essential that Army look to obtain an adequate return for this investment.

⁵⁵ Joint Committee on Foreign Affairs, Defence and Trade, *From Phantom to Force, Towards a More Efficient and Effective Army*, August 2000.

⁵⁶ Department of Defence, 'Project Leviticus', DRES-A, commenced in 1999-2000.

5.8 Air Force has a full time component of about four or five Permanent Air Force members attached to each Reserve squadron. The Commanding Officer in each squadron is usually a PAF member. Some 49 PAF personnel are involved in dedicated Reserve command and administration. Support services provided by full time staff include personnel administration, general administration, recruiting, training administration (initial and postgraduate), budget management, pay and allowances. Because of the full time nature of their employment, PAF staff provide the necessary links with other administrative areas within Air Force and Defence. The size of the full time component in Air Force squadrons represents a considerable investment in the Reserve. Although the full time component represents only about 3% of Active and Specialist Reserve personnel, the direct cost, together with superannuation and housing costs, is about 25% of total Reserve salaries. Air Force needs to ensure that it is receiving value for money from its full time staff in terms of improved effectiveness of Reserve units.

Equipment

5.9 The size and structure of the Army Reserve result in significant equipment requirements. In comparison, Navy's integrated structure has led to only a limited requirement for dedicated equipment for Reserve elements. Similarly, Air Force Reserves have not generated a major demand for equipment resources. Therefore, the ANAO focused its attention on Army Reserve equipment levels.

5.10 Section Three of Army's Single Entitlement Document contains details of each unit's entitlement to principal items of equipment. These are items selected by Army Headquarters as requiring intensive management because of their operational importance, high cost or sensitive characteristics. This equipment is central to the role, structure or manpower of the unit. The number of items of each type of equipment is shown in four categories, as follows:

- Operational Level of Capability (OLOC);
- Minimum Level of Operational Capability (MLOC);
- Full Time entitlement (FTE); and
- Loan Entitlement (LE).

5.11 The total of the FTE and LE entitlements is equal to MLOC. The FTE represents the amount of equipment the unit is entitled to hold on a continuous basis. LE is the unit's entitlement to equipment that is required on a temporary basis. Equipment held in loan pools, to be provided to units when required for training or exercises, is derived from the LE. In the case of units on short readiness notice the FTE will be at, or close to, the MLOC entitlement. Units with longer readiness notice will hold only a proportion of their MLOC entitlement on a continuous basis and will draw on the loan pools when necessary to carry out specific training or to participate in exercises. Because of their long readiness notice, most Reserve units are required to make extensive use of loan pools. Provisioning guidelines used by Army provide that equipment holdings in loan pools are usually calculated as 55% of total LE, because not all units will require equipment at the same time.

5.12 As mentioned earlier, the SEDs for all Reserve units will be reviewed when the roles and task study has been completed and resource requirements can be aligned with specific tasking.

5.13 The ANAO obtained details of principal equipment entitlements and holdings in Reserve units in October 2000. These details showed that the value of FTE liability⁵⁷ was \$413.4 million and the value of assets held by units was \$447.8 million. This indicates an excess of about \$34 million. The apparent excess of equipment should be treated with caution as Army representatives have indicated there is some doubt about the accuracy of the records. The ANAO was informed that principal items of equipment would represent about 70% of the value of the equipment held by Reserve units, with the remaining 30% being non-principal items. On this basis the value of non-principal items of equipment would be about \$130 million and the total value of equipment held by units would be about \$577 million. In addition ANAO obtained details of equipment held by 11 regional loan pools. This equipment is used principally by Reserve units. The value of loan pool holdings at the time of the audit was \$277.1 million. On the basis of these figures the total value of equipment used by Reserve units is in the vicinity of \$850 million.

5.14 An examination of the records of unit SEDs and equipment holdings revealed that units did not have an authorised entitlement to a substantial amount of equipment shown to be held by them. Although there were shortages in certain types of equipment, these shortages, in many instances, appeared to be compensated by items of similar equipment not recorded on the SEDs.

⁵⁷ 'FTE liability' refers to the approved unit equipment entitlement.

5.15 Despite an apparent surplus of equipment holdings, Reserve units have experienced some shortages of specific equipment. An audit by Defence's Management Audit Branch in 1998 examined equipment holdings of 4 Brigade.⁵⁸ The audit report drew particular attention to the shortage of machine guns. Shortages of vehicles and radio equipment was also a major concern. The units visited during the audit all complained of inadequate loan pool holdings despite attempts to even out peak demands. The advancing age of equipment, combined with reduced repair and maintenance funding, further reduced the availability of equipment.

5.16 In a situation report on the revitalisation of the Reserve in August 1999, 2nd Division Headquarters reported that shortages were most evident in the area of radio equipment and vehicles. In some instances, the principal equipment was available, albeit in restricted numbers, but its utility was limited by the absence of ancillary equipment, the condition of the equipment and/or the shortage of supporting resources. The nature of the equipment was also an issue, as recruits trained on modern equipment during their CIT had to be retrained on the older style of equipment on issue to the Reserve brigades.

5.17 In recent years, equipment shortages have been exacerbated by demands arising from the Restructuring the Army trials, the decision to place 1 Brigade on a higher readiness footing and the need to fully equip units on deployment to East Timor. In 1999, additional funds were approved for equipment purchases including remediation of equipment losses from lower readiness, eg. Reserves, units and the loan pools. The remediation program is to be phased over three years, with the bulk being procured by June 2001.

5.18 The Commander, Support Command Australia, reported in December 1999, that, without the additional funds, Army low readiness units would have suffered a reduction of 45% to 50% in general replenishment and equipment maintenance, ration and petrol, oil and lubricant allocations. The additional funding has substantially alleviated the need to make significant reductions in the level of support to the Reserve.

5.19 In many cases, it was not possible to replace specialised military equipment losses with identical items and commercial off-the-shelf equipment was to be procured in lieu. Army personnel noted that there may be an additional training requirement to enable Reserve soldiers to operate commercial equipment and subsequent conversion training if they are transferred to a higher readiness unit and required to operate military specification equipment.

⁵⁸ Department of Defence, Revitalisation of 4 Brigade, Management Audit Branch, 22 February 1999, p.47.

5.20 During fieldwork inspections by the ANAO, most Reserve units noted that equipment levels were generally adequate for their training requirements. Some units were short of specific pieces of equipment such as radios, ancillary equipment (such as tripods for heavy machine guns) and ammunition. Past equipment shortages have been alleviated by two factors: the remediation program and the reduced numbers of Reserves in most units. Because most Reserve units have experienced a marked reduction in strength in the past 18 months the equipment levels are sufficient for the reduced numbers attending for training. It was evident that, if recent recruitment initiatives are successful, equipment could once again become an issue.

5.21 In its report *From Phantom to Force*, the Joint Committee on Foreign Affairs, Defence and Trade noted that the Army faced a large capability gap in terms of the shortfall in equipment levels against brigade entitlements. The report referred to a Department of Defence estimate that expenditure of \$4.5 billion would be necessary to bring the Army's nine brigades up to their level of entitlement.

5.22 The ANAO considers it is important that SEDs in Reserve units be reviewed to enable a full assessment to be made of equipment needs. Although Army records indicate that units are currently holding a surplus of equipment, this is probably due to a failure to update entitlements. There is also a possibility that there are shortcomings in the distribution of equipment among units, with some units having a surplus of certain types of equipment that may be scarce in other units.

5.23 It is recognised that the conduct of SED reviews has been deferred pending the outcome of the Roles and Tasks study, but the absence of a definitive assessment of the actual needs of Reserve units means there is no reasonable basis on which to develop resource plans for the Reserve. Until the role and resource needs of the Reserve have been clarified, there is no certainty that current recruitment, training and provisioning will be appropriate for the future structure of the Reserve forces. Army commented that the Army Management Framework should encourage improvements in the reliability of data on equipment assets/liability.⁵⁹

⁵⁹ The Army Management Framework is described in Appendix 3.

Recommendation No.7

5.24 The ANAO recommends that, in order to match equipment holdings with the training needs of Army Reserve units, Army undertake the proposed review of unit Single Entitlement Documents immediately following the determination of revised unit roles and tasks.

Defence response

5.25 Defence agreed to Recommendation No.7.

Facilities

5.26 ADF Reserves use some 300 facilities Australia wide with an asset value of \$1.117 billion. Defence records identified the annual cost of repairs and maintenance for these facilities at \$2.4 million, but this data is not complete and it is likely that the true expenditure greatly exceeds this amount. The Army costing section has estimated that an amount of \$25 million would be a more accurate figure for expenditure on Army Reserve properties. Most Navy and Air Force Reserve components are located within facilities developed for the full time forces or, in some instances, in multi-user depots. The Air Force Reserve utilised nine training depots valued at \$3 million. However, the widespread geographic dispersal of Army Reserve units has resulted in a large investment in separate facilities to cater for the needs of these units.

5.27 Responsibility for the administration of Army Reserve facilities was vested with the Director General Accommodation and Works—Army until July 1997, when this responsibility was transferred to the Defence Estate Organisation (DEO). DEO was established to provide a tri-Service facilities management agency. This has been accompanied by a rationalisation of facilities and a move to encourage greater tri-Service use of facilities and the construction of multi-user depots.

5.28 The Army Reserve has generally been a community-based organisation with strong historical and traditional links with specific geographic areas. The introduction of DEO with a focus on tri-Service needs and national priorities and greater emphasis on efficiency and cost effectiveness considerations has resulted in a closer examination of the viability of some older facilities in a poor state of repair. The rationalisation and relocation of older Reserve facilities have to be weighed against their value as an indicator of an Army presence in the local community, as a base for future expansion and as a focal point for recruitment purposes.

5.29 Because of its regional nature Army has a very substantial investment in Reserve training facilities. At the time of the audit the Army Reserve used some 235 facilities throughout Australia, including depots, barracks and training establishments, of which 19 were leased. The asset value of Army Reserve facilities was \$1.114 billion. In addition, Defence records identified 17 rifle ranges and training areas valued at \$75 million, that are primarily used by the Army Reserve.

5.30 Some depots have a run down appearance, inappropriate security arrangements and lack modern classroom training areas. A small number of depots continue to occupy valuable inner city sites and some are distant from major recruitment catchment areas and do not reflect changing population demographic patterns. There is evidence that some country depots are being retained despite low levels of active membership, or insufficient numbers attending, to enable proper training to be conducted. The dispersal of facilities in country areas does not facilitate increased operational effectiveness or, in many cases, the requirements for training. The location of many depots in country areas is no longer functional. However, because of its regional and community nature the closure of these depots could result in the loss of a valuable recruiting base. It would also result in increased travelling time and cost for personnel, placing further pressure on the Reserves' ability to attract recruits.

5.31 DEO strategic planning highlights the need for a re-evaluation of Army Reserve facilities requirements and disposition.⁶⁰ DEO considers that there is a need to articulate a clear rationale for the disposition of Reserve units based on force structure and readiness requirements. DEO has identified that Reserve facilities planning should take into account a range of factors, including:

- force structure requirements;
- different types of Reserve service and their associated equipment and training requirements;
- historical and community links;
- population base, travel times, recruiting and other demographic factors; and
- property issues and economies of scale.

⁶⁰ Defence Estate Organisation, *The Strategic Plan for the Defence Estate*, 1999, pp.5–21.

5.32 The issue of facilities planning is a complex and challenging task for Defence. It is evident that many older Reserve facilities need to be upgraded or replaced with facilities that provide the best environment for training. From a cost effectiveness viewpoint, the sharing of facilities offers significant benefits. Clearly, the location of facilities in areas offering the greatest potential in terms of population demographics has many advantages but these will change over time. The scope for lease, rather than purchase, may facilitate more frequent change of location to match demographic patterns. The closure of depots requires careful management and should involve full consideration of all relevant factors. There is a risk of significant losses of personnel if the closure of a depot leaves no reasonable alternative for Reserves to parade.

Recommendation No.8

5.33 The ANAO recommends that, to maximise the cost effectiveness of ADF Reserve facilities, Defence:

- a) revise its Reserve facilities policy and plans to take account of any changes to Reserve force structure; and
- b) consider leasing facilities for Army Reserve purposes (where it is economically viable to do so) to enable flexibility in relocating facilities to accommodate changes in demographic patterns.

Defence response

5.34 Defence provided the following response to Recommendation No.8:

- a) Agreed.
- b) Agreed.

Cost of ADF Reserves

5.35 The ANAO asked Defence for data on the full cost of operating its Reserve forces. Defence was able to supply a range of data on Reserve direct operating costs (eg. salaries), but other costs associated with maintaining the Reserves had to be derived by the ANAO.

5.36 The ANAO was able to develop an indicative costing for Army Reserves in 1999–2000, in consultation with Defence. The principal factors on which the costs are based are shown in Table 9. Reserve salaries represented only 8% of the total estimated cost. Indirect costs, depreciation and a capital use charge based on the value of equipment and facilities used by the Army Reserve were major factors in assessing the total cost of maintaining the Reserve. Army has recently used full accrual costing to estimate a total cost of Reserve elements in 2nd Division

and 11 Brigade. This entailed the use of attribution rules to allocate costs from all areas in Defence. The outcome of this costing was broadly consistent with the ANAO estimate.

Table 9

Indicative cost of Army Reserves, 1999–2000

<i>Items</i>	<i>\$ m</i>	<i>\$ m</i>
Direct costs		
Permanent force salaries	109	
Civilian salaries	4	
Reserve salaries	75	
Suppliers	123	
Repairs & maintenance	25	336
Depreciation		101
Indirect costs		275
Capital usage charge		240
Total Cost		952

Source: Corporate Management and Planning-Army, Preparedness and Plans-Army and Defence Estate Organisation.

5.37 The ANAO was unable to obtain full cost information in respect of Navy and Air Force Reserves because of the integrated nature of their operations. Navy and Air Force costs were therefore sourced from Defence answers to Parliamentary Questions on Notice in May 2000, in which the Air Force Reserve was estimated to cost \$20 million, the Navy Reserve \$19 million, with \$1 million for the Assistant Chief of the Defence Force—Reserves.⁶¹ The ANAO observed that these were primarily direct costs; the full costs would be considerably higher. The ANAO developed an indicative cost for ADF Reserves in 1999–2000 of around \$1 billion, of which over \$950 million was the cost of the Army Reserve.

5.38 The ANAO analysis involved an extensive data collection exercise as the full range of data on Reserve operating costs was not readily available. The ANAO considers that Defence should annually establish and publish the full cost of each Reserve Service and the capabilities provided, in order to provide full transparency of the costs of maintaining Reserve forces.

⁶¹ Navy and Air Force statistics sourced from Senate Foreign Affairs, Defence and Trade Legislation Committee, Answers to Questions on Notice, Budget Estimates 2000-2001, 29-30 May 2000.

Recommendation No.9

5.39 The ANAO recommends that, to provide transparency of the costs of maintaining Reserve forces, Defence annually establish and publish the full cost of each Reserve Service and the capabilities provided.

Defence response

5.40 Defence provided the following response to Recommendation No.9: Agreed, noting that it will take some time to implement since it depends on the maturity of planned financial and management systems and costing models.



Air Force Reserve Airfield Defence Guard, tarmac protection in East Timor, 2000

6. Attraction, Retention and Conditions of Service

This chapter considers issues relevant to ADF Reserve recruiting, the retention of Reserve members and their conditions of service.

ADF Reserve recruiting

6.1 There are two primary forms of entry to the Reserve forces: 'transfer' from the full time forces or direct entry from the civilian population. As mentioned earlier in this report, it has been proposed that, in future, it may be compulsory for members of the full time and part time forces to transfer to the standby Reserve for a period of up to five years following completion of their active service. This would bring Navy and Army into line with Air Force, which has required this since 1996 for airwomen and airmen. Although former full time members will be included in the Reserve they will not have a training obligation unless they elect to join the active Reserve. In the past a significant number of full time members have voluntarily joined the Reserve, but mainly the standby Reserve (members without training obligation). A much smaller number of former full time members have joined the active Reserve.

Transfers from the permanent component

6.2 In the case of active Reserves in Navy and Air Force, the ANAO was advised that about 80% were former members. In Army, former members represented a much smaller proportion of active Reserves. This is largely due to the higher emphasis by Army on direct recruitment. Navy representatives have indicated that, in view of the shortfall in recruitment to the permanent force, greater use could be made of the Reserves if more members could be encouraged to volunteer for the active Reserve. Army does not specifically target former full time members but the Sustainability Study, associated with the Restructuring the Army trial concluded that recruitment of ex-permanent members would provide a substantial link to achieving capability in a sustainable Reserve, at an affordable cost. Similarly, Air Force has recognised that if it is to achieve the proposed expansion in Reserves it will need to attract a substantially greater number of former full time members to the active Reserve.

6.3 It is, perhaps, not surprising that large numbers of former full time members do not join the active Reserve. There is no particular incentive for them to join and, in most cases, the financial rewards are considerably less than they enjoyed as full time members. Although they are fully trained and experienced most receive only 85% of their former full time salary, albeit tax free.⁶² In addition, they do not receive any of the benefits they previously enjoyed, such as Service Allowance, full medical and dental care, superannuation, paid recreation and sick leave, long service leave and subsidised accommodation or housing loans. In many cases, former members are anxious to establish themselves in civilian employment and to spend more time with their families and a commitment to part time service in these circumstances is viewed as too onerous.

6.4 There would be significant benefits to the ADF, and the Reserves in particular, if more full time members could be encouraged to volunteer for service with the active Reserve. This would provide a source of experienced, trained personnel, of whom most would be conversant with current Service organisations, policies and practices. Continuing employment in the active Reserve would enable these members to remain current with developments in the Services and to maintain their skill levels. Although a proportion of former members will not be available to undertake part time service, it is considered that greater incentives could lead to an increase in the numbers available for active Reserve service. This would provide a greater return to Defence on the substantial investment made in training its members.

6.5 An attitude survey of factors influencing decisions to transfer to the Reserve found that financial rewards, particularly payment of a transfer bonus, would be the most significant influence, with career opportunities being the second most important influence.⁶³ The Reserve Sustainability Study concluded that *'in cost and capability terms a package of incentives to full time personnel is considered the most cost effective means of filling critical junior leader vacancies in the Reserve.'* As part of the proposals being put to Government to enhance the Reserves, Defence is proposing to review conditions of service for all categories of Reserves.

⁶² For officers with a rank of 2nd Lieutenant to Major inclusive, and chaplains, the Reserve rate of pay is 90% of the Permanent force daily rate, for the equivalent rank and increment.

⁶³ Department of Defence, Army Manpower Control Mechanisms Project, Stage III, March 1996, p.33, p.4.

6.6 Improvements in the quality, capability and cost effectiveness of the Reserves would result from an increased emphasis on promoting the transfer of retiring full time members to the active Reserves. In view of the investment that has already been made in these personnel, as well as the cost of bringing a Reserve recruit to the same level of competency, there would be substantial cost savings in retaining former members on a part time basis. The development of a suitable package of incentives, together with a positive marketing strategy, should be justified on cost-benefit grounds.

6.7 Defence noted that Reserve pay and conditions of service are complex issues which attract widely divergent views. These issues will require further examination concerning the specific incentives and revised conditions of service to be included. In the future, different measures will be appropriate for different types of service (such as high readiness Reservists). Further work is required to determine specifics relating to any incentives/conditions of service. Before specific measures are implemented, a cost-benefit analysis would need to be undertaken.

Recommendation No.10

6.8 The ANAO recommends that Defence develop a marketing strategy and a package of incentives, including appropriate improvements to Reserve conditions of service, as a means of increasing the rate of transfer to the Reserve of full time members on discharge from the permanent forces.

Defence response

6.9 Defence provided the following response to Recommendation No.10: Agreed in principle, subject to further examination of specific incentives and new or revised conditions of service. As well as attracting full time members into the Reserves on their separation from full time service, these proposals are equally applicable to the total strategy of attraction, recruitment and retention for all Reservists. In the future, different measures will be appropriate for different types of Reserve service (such as for high readiness Reservists). Before specific measures are implemented, a cost benefit analysis would need to be undertaken.

Direct recruitment

6.10 In the case of the Army Reserve, which has by far the largest number of Reserves, discharges have exceeded enlistments almost every year since 1988–89. In the past few years, the gap between separations and recruitment has increased. The Army Monthly Liability and Strength Statement at 30 June 2000 showed a General Reserve authorised establishment of 31 288 and a posted strength of 17 301 (55%). The latter figure included a Training Force establishment of 3515 and actual personnel numbers of 3261. The major shortfall of Reserve personnel occurred in the Combat Forces where the authorised establishment was 22 304 and the posted strength was 10 758 (48%).

6.11 Prior to 1998, the posted strength of Army Reserves remained relatively constant at about 70% of authorised establishment. However, since January 1998 this has fallen to 55%. Over the last ten years annual Reserve separation rates have varied from 15.9% in 1995–96 to a high of 24.3% in 1998–99. The rolling separation rate in 1999–2000 remained over 20%. The failure of recruitment to match these separation rates has led to a reduction in overall Reserve numbers and a marked shortfall in Reserve personnel against the required establishment.

6.12 Reserve recruiting achievement against recruitment targets for the Services over the last three years is shown in Table 10. At 30 June 2000, Navy had enlisted only 28% of the full year target of 104 and Army had enlisted only 30% of the target of 4785. In Air Force the enlistment figure was 87% of the target. Similar difficulties were being experienced with full time recruits where the achievement of annual enlistment targets was 57% for Navy, 83% for Army and 83% for Air Force.

Table 10

ADF Reserve recruiting achievement against targets, 1997–1998 to 1999–2000

<i>Year</i>	<i>Navy</i>		<i>Army</i>		<i>Air Force</i>	
	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>
1997-1998	112	56	4655	4671	80	83
1998-1999	149	30	4465	2288	146	82
1999-2000	104	29	4785	1417	119	104

Source: Defence Recruiting Organisation.

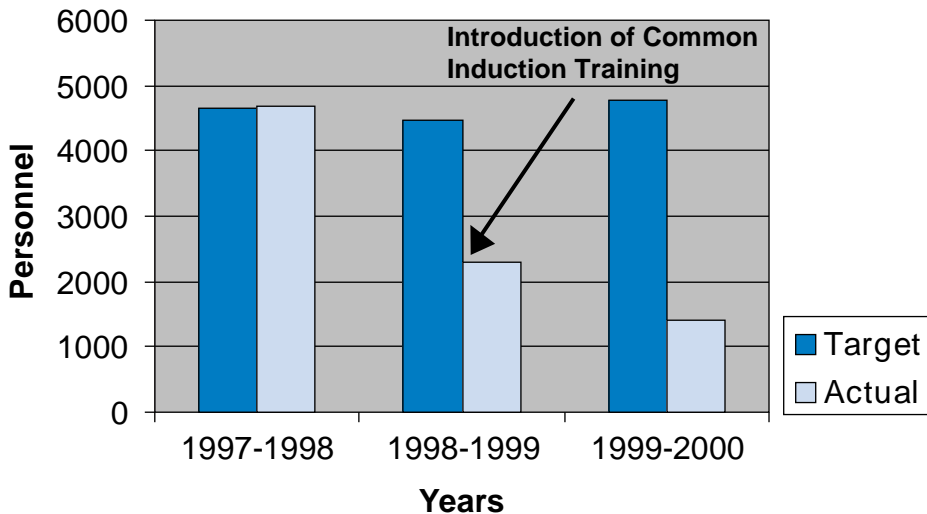
Factors affecting recruitment

6.13 The shortfall in recruitment to the Reserves has been attributed to a variety of factors. Some of the factors that have been identified include rationalisation of ADF recruiting, increased emphasis on recruitment to permanent forces, uncompetitive conditions of employment and competition for recruits in a buoyant economic climate. In the case

of the Army Reserve, the introduction of Common Recruit Training for a continuous period of 45 days and a change in minimum education standards have had a marked impact. The individual impact of each of these factors is difficult to determine but, collectively, they have had led to a very substantial fall in recruitment levels, as highlighted in Figure 6. Further consideration of these factors follows.

Figure 6

Army Reserve recruiting, 1997–1998 to 1999–2000



Source: Defence Recruiting Organisation.

Rationalisation of ADF recruiting

6.14 A significant rationalisation of ADF recruiting functions occurred over the last decade. Single Service recruiting functions were incorporated into a tri-Service organisation, the Defence Force Recruiting Organisation (DFRO). This change resulted in a staffing reduction of 90 full time personnel together with reductions in advertising aimed at realising a recurring annual reduction of \$10 million in the recruiting budget. Rationalisation of recruiting also included the absorption of Army Reserve Recruiting Centres into regional ADF Recruiting Units (ADFRU) in 1993. This had the positive effect of standardising marketing, screening and enlistment processes for all full time and part time entry categories. However, it effectively caused a cessation in traditional part time recruiting practices, particularly unit recruiting.

6.15 The DFRO staffing reduction was predicated on greater reliance on national advertising and automated processes to attract applicants. However, regional ADFRU do not have sufficient staff to provide personal follow-up of inquiries and are limited in the ability to conduct recruiting activities, especially regionally. DFRO statistics reveal that national advertising campaigns, particularly television, have been successful in generating record levels of inquiries, but the conversion rate to enlistment has been low. Part time Army enlistments have been the worst affected.

6.16 In an effort to redress low levels of recruiting, Army has recently established a network of unit Recruitment Liaison Officers (RLO) in all part time units. RLOs will be responsible for stimulating inquiries and public awareness of part time service, providing counselling, following up potential recruits and assisting ADFRUs with applicant processing. It is not clear at this stage whether the establishment of RLOs has been successful in improving recruitment. During audit fieldwork, a number of units noted that their recruitment activities had generated a considerable level of interest in the local community. Units also expressed concern at the lack of resources for RLO activities. Personnel performing the recruitment function have had to be provided from within existing resources and this has been at the expense of their other duties.

Recruitment to the permanent forces

6.17 As a result of developments in East Timor and an associated increase in the size of the permanent forces during the latter part of 1999, the DFRO placed greater emphasis on recruitment to the permanent forces. As a consequence, recruitment for the Reserves suffered during the peak recruitment period. Personnel in Reserve units indicated to the ANAO that the ADFRUs gave priority to the recruitment of full time personnel. It is perhaps not surprising, in a situation where difficulty is being experienced in achieving targets for full time personnel, that this area is receiving greater attention by the central recruiting organisation.

6.18 The centralised nature of recruitment advertising may also have had an impact on enlistments in the Reserve, which has always had a strong regional and local community focus. The necessity to attend centralised recruitment centres for pre-enlistment interviews and testing represents a further disadvantage for prospective Reserve members who do not live near those centres and who would prefer to serve with units close to home.

Conditions of employment

6.19 In many respects the conditions of employment with the Reserves do not provide a strong incentive for recruitment. A benefit of Reserve service is that all Reserve salary and other payments are exempt from income tax. However, present rates of pay at the base level do not compare favourably with rates available in other areas of part time employment. There is no extra compensation for evening or weekend attendance when most Reserve activities are conducted. Also, Reserves are not eligible for superannuation or paid holidays.

Economic conditions

6.20 In the past few years, Australia has enjoyed strong economic growth that has been accompanied by increased employment opportunities. Historically, recruitment to the armed services has declined during periods of strong employment growth. In addition, the increasing range of part time employment opportunities generally in the community may have added to the competition being experienced by the Reserves. The public sector has always been a major source of recruitment for the Reserves. The reduction in public service employment in recent years and less flexibility in arrangements for the release of staff, has limited the numbers available from this sector. A further factor has been the exclusion of Defence leave from the list of allowable matters under industrial awards. Recent Government announcements to include Reserve service under work for the dole arrangements may have a positive influence on Reserve recruitment.⁶⁴

Common Recruit Training

6.21 Chapter 4 details the move by Army to Common Recruit Training for both full time and part time recruits. The requirement for CRT was a significant change in the way Reserve recruit training was conducted. Previously, Reserve recruits were only required to complete a two week course conducted in their regional training groups. Under CRT, this requirement changed to a continuous commitment of 45 days at the Army Recruit Training Centre at Kapooka. The requirement for an initial period in excess of six weeks has restricted recruitment to applicants who are able to make themselves available for this period of time.

⁶⁴ Work for the Dole is a key element of the Government's Mutual Obligation Policy under which unemployed job seekers are required to undertake activities that give something back to the community that supports them.

6.22 Whereas, previously, a large proportion of applicants had been in full time employment, significant numbers of recruits are now students or unemployed. As a consequence, the total pool of potential recruits has been substantially reduced. In comparison with past recruitment when the majority of enlistments came from a relatively stable group of persons in full time employment, there is a risk that students and unemployed may be unable to continue with Reserve service when their circumstances change and they obtain full time employment.

6.23 The recruitment figures for the last two years indicate that CRT may have been a significant factor in the decrease in recruit numbers. In response to the marked decline in recruitment, Army conducted a limited trial of modular recruit training in the latter part of 1999. The trial involved splitting the initial training into two periods of about three weeks, with the second module to be completed within 12 months of the initial module. The trials demonstrated that recruit training can be delivered more flexibly without detriment to the training outcome. As a result, a wider range of training options is now being offered to recruits. At the time of the audit, it was not possible to assess the longer term effect of the changed training arrangements.

Minimum education standards

6.24 In 1998–99, Army introduced a minimal education standard for entry to the Reserve. Applicants were, for the first time, required to have achieved passes in Year 10 mathematics and english. This requirement further reduced the pool of suitable applicants, although the extent of this reduction is difficult to assess. It may affect the ability of indigenous and ethnic populations to qualify for the Reserves. The highly regarded Regional Force Surveillance Units are predominantly staffed by indigenous personnel who may not be able to satisfy the revised minimum education standard. The commanding officers of these units can waive the minimum educational standards required for entry.

Other matters

6.25 Service in the Reserves is not simply a part time employment opportunity. In many cases, it is seen as a fulfilling leisure time pursuit for young people seeking a social outlet, adventure and a way of developing new skills. In this respect, it is in competition with an increasing range of other leisure time activities. In recent years, a series of incidents have resulted in adverse publicity for the ADF and this has had a negative impact on recruitment. The rationalisation of regional training depots and increased travelling to attend training could also have had a negative impact on recruiting.

Measures to improve direct recruitment

6.26 As mentioned earlier, Army has taken steps to address the recent shortfall in recruitment by introducing more flexible recruit training arrangements and establishing unit RLOs. Also, the DFRO is trialing the use of a private sector company to provide recruitment services to the ADF in Victoria and Tasmania. In addition, a review of conditions of service is proposed.

6.27 The introduction of RLOs is seen as a significant initiative. As part of this approach certain responsibilities for part time recruiting will be returned to Reserve units. RLOs will coordinate promotional and recruiting strategies, and follow-up management of inquirers, applicants and recruits assigned to units. They will liaise with ADFRUs in each region by forwarding completed applications, coordinating attendance at medical and psychological tests, and following-up applicants who have not pursued their applications. Personal follow-up of applicants who have not pursued their original inquiries is seen as an important element. Successful applicants will be posted direct to units on successful completion of testing and may attend at the unit for up to six months prior to undergoing CRT.

6.28 The DFRO will retain responsibility for conducting medical and psychological testing and facilitating the enlistment process. The revised processes seek to improve recruiting outcomes through increased command and unit involvement in the recruiting process. It is also intended that applicants for part time service will form a bond with the unit or formation early in the recruitment process.

6.29 In association with the RLO initiative, some individual units have adopted strategies designed to enhance recruitment. These strategies have included making contact with former permanent and Reserve members in an attempt to rekindle their interest in Reserve service, to promote Reserve service amongst unemployed persons in the unit's 'catchment area' and to encourage existing members to bring a friend. There has also been increased emphasis on conducting recruitment promotion amongst students at schools and colleges with a focus on the 'life skills' that individuals will gain from a second career in the Reserves. Other activities include maintaining close personal contact with prospective recruits during and after the recruitment process.

6.30 The promotion of the benefits of Reserve service amongst community groups and employers through presentations and open days is being pursued by some units. The ANAO noted, however, that in certain locations units believed they had exhausted all avenues of potential recruits.

6.31 The ANAO recognises that Army is addressing the significant shortfall in recruitment that has occurred since 1997. However, it is probable that the retention of an initial 45 day recruit training requirement within the first 12 months of service will remain a significant barrier to recruitment from traditional recruitment sources. This is likely to see a change in the recruitment demographic, with a higher proportion of students and unemployed forming the basis for recruitment. At the time of audit it was not possible to assess the impact of the modular option now available. The proposed introduction of compensation to employers in the case of extended absences for Reserve training may provide opportunities to attract recruits from a wider field, but some employers may still be reluctant to release key personnel.

6.32 It is not yet possible to establish whether the recruitment initiatives taken by Army will reverse the recent recruiting trends. The ANAO considers it is important that the recruiting initiatives be accompanied by endeavours to increase the public profile of Reserve units in their local community, to improve relationships with employers, particularly in terms of the benefits to the employer that can accrue from Reserve training and to increase opportunities for support to families of Reservists and encouragement of their involvement in Reserve social activities. There would also be merit in examining the possibility of providing part of the initial recruit training at regional training centres rather than the centralised training at Kapooka. Army has examined the feasibility of providing part of the initial recruit training at regional locations, but has decided not to pursue the option at this time. Early completion of the proposed review of conditions of service may also prove to be beneficial.

6.33 The proposed introduction of two categories of active Reserves (ie. High Readiness Active Reserves and Active Reserves) could present the opportunity for a more flexible approach to induction training. Consideration could be given to maintaining the present 45 day training for members of the High Readiness Reserve but introducing shorter and more flexible training for active Reserves. The latter could consist of an initial training period of two weeks to be followed by a series of shorter modules, including all of the elements contained in the continuous training, to be completed over a 12 month period. On completion of these modules the recruit should have achieved the same level of competency.

6.34 Army noted that it intends to provide flexible options for the delivery of induction training wherever practicable. The 45 day single delivery option remains the preferred delivery means to attain

competency-based recruit training. Other delivery options are being devised in recognition that not every individual is able to commit to such a continuous period of training.

6.35 Although there appears to be a number of factors underlying the recent decline in recruitment to the Army Reserve, there is a body of opinion within Army that the introduction of Common Induction Training has had a major impact on recruitment. The length of this training poses a considerable difficulty for many potential recruits. The Army has recently conducted trials of a modified form of training with two shorter modules and is now pursuing modular recruit training as an option. The ANAO considers that even greater flexibility in initial training may be required to meet the needs of potential recruits and their employers. Other matters that may need to be examined include minimum education qualifications and conditions of service.

6.36 In order to gain better understanding of the factors affecting Reserve recruitment, the ANAO, assisted by a firm of consultants, analysed data on Army Reservists who were enlisted in 1997 and in 2000. This analysis, which is detailed in Appendix 4, compared the number of Army Reservists with the numbers of people aged 18 to 40 in the general population on the basis of geographic distribution by regions. The analysis highlighted wide differences between regional areas in the proportion of the target population participating in Reserve activity. The ANAO considers that Defence should examine these regional differences to determine underlying factors influencing recruitment levels.

Recommendation No.11

6.37 The ANAO recommends that Defence, with a view to improving recruitment opportunities:

- a) examine the feasibility of developing a wider range of recruit training modules designed to accommodate the different circumstances of part time Reservists;
- b) closely monitor the results of the recruiting initiatives developed by individual units and adopt those measures that prove to be particularly successful; and
- c) initiate studies on regional demographic factors which influence recruiting success.

Defence response

6.38 Defence provided the following response to Recommendation No.11:

- a) Agreed, noting that Army undertakes ongoing review of training delivery options to ensure that training, particularly for the Reserve component, is able to be delivered in as many flexible delivery forms as is practicable without compromising training standards or incurring significant additional cost. Defence has long recognised that training delivery to Army Reserves must be aligned wherever possible to the availability of individual Reserve members. As a result, much of the training provided to the Army is modularised to ensure that Reserve members are able to commit to reasonable periods of training.
- b) Agreed.
- c) Agreed.

Retention

6.39 Recruitment to the Army Reserve has failed to keep pace with the level of separations for more than 10 years. For most of this period there has been only a gradual decline in the overall size of the Reserve, but there has been a marked acceleration in the rate of decline since 1997. Separations have been in the vicinity of 20% per annum for the past 10 years and, in absolute terms, the separations in the past three years has been in line with, or lower than, historical figures. It is primarily the shortfall in recruitment that has led to the notable recent reduction in the size of the Reserve. The rate of separation from the Army Reserve is much higher than that of the Australian Regular Army. Similarly, with the exception of the Air Force Ground Defence Reserve Group, the rate of separations from the Navy and Air Force Reserves is lower than the Army Reserve and is not significantly different from that experienced by the permanent forces. This may be due to the fact that the Reserves in these two Services comprise predominantly former permanent members. Air Force has experienced high separation rates from direct recruitment to the Air Force Ground Defence Reserve Group.

6.40 The ANAO found that a number of studies had been conducted into separation rates from the Reserve. A summary of the findings of some of the more significant studies is set out below.

Project Leviticus

6.41 In response to the problem of the diminishing size of the Reserve, the Directorate of Reserves—Army commenced a study into wastage and retention in the Army Reserve (Project Leviticus) during 1999–2000. The project was to be conducted in four parts:

- Part 1—determine the scope of the wastage problem within the Army Reserve;
- Part 2—determine the locus of the wastage problem;
- Part 3—determine why wastage is occurring; and
- Part 4—make recommendations to redress the wastage rate and declining strength.

6.42 The findings of the first part of the project were presented to the Army Capability Management Committee and to the Chief of Army Senior Advisory Group in June 2000. The study recognised that, in a part time and fully volunteer-based service, turnover was inevitable. At the same time, continued wastage rates at the levels being experienced by Army represented a significant loss, not only in personnel numbers but also in financial and capability terms.

6.43 A major finding of the first part of the project was that 50% of separations occur within the first two years of service in the Reserve. Most of these separations are Privates who have been in the service for 18–24 months. The study noted that the significance of this finding was that most separations are by individuals who have completed basic training and possibly their initial employment training. If this is correct, these individuals are leaving just as they become ready to participate in collective training. As a consequence of this high turnover, units are having difficulty in conducting continuing collective training. The ANAO found that there is usually a significant delay between the time when a Reservist ceases attending parades and the documentation notifying his formal separation is processed. This delay can be between three and twelve months. Therefore, it is probable that the actual period of service is less than the 18–24 months found by the study, which used the formal separation date for its analysis.

6.44 A discussion paper, prepared within 4 Brigade in 1998, observed that although the overall rate of separations was around 20% per year the separation rate for new recruits was in the vicinity of 35%. As a consequence the brigade was forced into a situation where it was continually repeating many basic training elements to accommodate new recruits.

6.45 The first part of Project Leviticus also attempted to calculate the financial costs of this high turnover. Two figures were produced. One estimated the minimum direct cost of basic training of a recruit to be \$4279 not including wages or overheads. On top of this were indirect costs of \$17 015. Based on the 1999 intake of 3879 recruits the study estimated that the minimum direct cost of basic training was over \$16 million and that the total cost, including overheads, was in excess of \$80 million. It was noted that some of the indirect costs were fixed and that a reduction in the number of trainees would not necessarily result in a saving in overheads. The study also reported that the average cost of recruiting was \$5500 per Reserve recruit.⁶⁵ The ANAO calculated that the cost of advertising per Reserve recruit was \$2080 in 1999–2000.⁶⁶ The ANAO considers that the wages and overheads for the individual recruit should also be included in the costs. In this case, the full cost of recruitment and basic training for an individual Reservist would be in excess of \$30 000.

6.46 The study noted that figures available for the cost of initial employment training were dated and varied between specialties. As a result it was unable to estimate the cost to Army of this form of training, but noted that this could also be substantial. The ANAO noted that the Sustainability Study estimated that the cost of initial employment training in selected Corps was \$37 000 per member.

6.47 The first part of Project Leviticus found that the factors most responsible for the high rate of separations from the Army Reserve could be grouped in the following categories:

- administrative breakdowns in the chain of command;
- poor understanding of Reserve requirements by Australian Regular Army staff;
- inappropriate delivery of training; and
- inadequate pay and conditions in relation to civilian employment.

6.48 In relation to administrative breakdowns the study found problems were occurring with pay for Reservists, basic logistics support and the organisation of training and other activities. An underlying cause for many of these problems was poor communications and training of ARA staff. Similarly, Reservists consider that ARA staff failed to recognise the need for Reservists to balance employment and other external responsibilities with their Reserve service and there was a need for greater

⁶⁵ Department of Defence, 'Project Leviticus', DRES-A, 1999-2000, p.27.

⁶⁶ Defence Annual Report, 1999-2000, p.308.

flexibility in ARA administration of units. Training regimes need to have regard to the circumstances of part time members by adopting more flexible training methods that are geared to the capability that can be achieved by the Reservists with limited training time. Although the aim is for Reservists to achieve competencies in common with permanent soldiers, the training should be geared to the ability of Reservists to attend for an appropriate period.

6.49 Army considers that the qualitative data is not representative of the wider Reserve and noted that confirming quantitative data from Reserve surveys is not yet available. At the time of the audit, Army was progressing further elements of Project Leviticus, including surveys of members and the conduct of focus groups. It is expected that the results of this additional work will be known later in 2001.

Review of Ground Defence Reserve Group

6.50 Following the abolition of the Ready Reserve Scheme in 1996, the Chief of Air Force endorsed the introduction of a new Reserve ground defence program as a means of achieving the required capability. The program was based primarily on the recruitment of non-prior service enlistees, with an initial service obligation of five years. The first 11 months occur under the provisions of full time service and the remaining time occurs under the provisions of part time service with a requirement to attend for a period of 50 days per year. The direct cost of the initial seven week recruit training (\$5231) was similar to Army's CIT with the direct cost of the initial 12 months training estimated to be almost \$36 000.

6.51 The Airfield Defence Wing conducted an internal review of the Ground Defence Reserve Group Scheme in 1999.⁶⁷ The review found that, although the Ready Reserve Scheme consistently experienced annual rates of attrition in training of 19%, the Ground Defence Reserve Group since its introduction had experienced attrition rates of over 60%. A survey of reasons for discharge found that external factors such as work, family and university commitments had contributed to departures and that internal factors such as job satisfaction, administrative/pay problems, pay and conditions, and other organisation issues had been important. Although some of these conclusions were not endorsed by Air Force Headquarters, subsequent studies by Air Force led to a revision of the training program aimed at improving retention.

⁶⁷ Department of Defence, 1 Airfield Defence Wing—Review of the Ground Defence Reserve Group, July 1999.

Army Manpower Control Study

6.52 As part of a series of studies aimed at assisting Army in the development of an employment strategy, a major survey was conducted by consultants in 1996 directed at identifying factors oriented to improving part time members' attendance and retention. The survey covered 2670 existing members. The study identified four factors that would improve availability and retention of part time members. These factors were:

- improvements in part time job satisfaction;
- alignment of part time and full time conditions of service;
- increased training day allocation; and
- shorter travelling time to depots.

6.53 The survey concluded that changes to these four matters would improve by 50% the numbers of Privates who would be available for part time service for 42 days or more and who would commit themselves to serve for more than 10 years. Although this study is slightly dated its conclusions are consistent with more recent studies.⁶⁸

ANAO comment

6.54 The ANAO's 1999–2000 report *Retention of Military Personnel* had application to both permanent and Reserve personnel.⁶⁹ The audit found that action to reduce the flow of members from the ADF would save resources lost in the training given to experienced members who leave and in the resources that need to be applied to train their replacements. Expenditure on retention has the potential to be much more cost effective than expenditure on recruitment and training. The audit report recommended establishing a management framework that details retention policies and assigns responsibility for personnel retention; and developing a system for gaining a good understanding of the factors that motivate members to remain in the ADF.

6.55 The ANAO concluded, from these and other studies, that a variety of issues influence separation rates from the Reserves, particularly in Army. Although the rate of separations from the Reserve is much greater than from the permanent forces it needs to be recognised that Reserve service is entirely voluntary and there is no formal commitment to a specified period of service. Because of the differing nature of service in other countries' reserve forces, it is not possible to make detailed

⁶⁸ Department of Defence, Army Manpower Control Mechanisms Project, Stage III, March 1996, p.3.

⁶⁹ ANAO Audit Report No.35 1999-2000, *Retention of Military Personnel*.

international comparisons, but there are indications that the separation rate in Australia may compare favourably with that in other countries.

6.56 An examination of ADF reports and studies indicates that conflict with work, family and study commitments plays an important part in Reservists' decisions to separate. Ultimately, Defence is not the primary employer of most Reserve members and, in the event of conflict, the requirements of their primary employer will have precedence. Career opportunities and job satisfaction appear to be primary motivators for remaining with the Reserves. If these do not exist there is a greater likelihood of separation. Job satisfaction is most likely to be achieved if there are clearly defined roles and tasks for the unit and if there is realistic and challenging training linked to those roles and tasks. Greater flexibility in the administration of Reserve training, including consideration of the time constraints faced by Reserves, would also be of value.

6.57 Consideration could be given to a requirement for recruits to commit to a minimum period of service, say three years, as a condition of employment. However, experience with the Ready Reserve Scheme and the Ground Defence Reserve Group indicates that this may not be effective in significantly reducing separation rates. Retention problems will not be solved by financial inducements alone. However, there is evidence to suggest that improvements in financial and non-financial conditions of service could be a useful complement. Elements that could be considered include assistance with studies, such as the payment of Higher Education Contribution Scheme fees, and the introduction of proficiency bonuses to be paid on completion of specified periods of service and achievement of prescribed standards.

6.58 Notwithstanding the possible efficacy of financial incentives, the attainment of a desired level of proficiency and effectiveness should be documented in the individual Reservist's performance assessment and, ultimately, rewarded by career progression. This suggests the need for formal career management planning for Reservists, similar to that of the permanent forces.

6.59 In the past, the payment of a retention bonus for Reservists at the completion of a specified period of service has been proposed as a possible means of encouraging retention. The ANAO considers the payment of a proficiency bonus may be more appropriate. This payment could be based on achievement of specified conditions, such as attendance for a prescribed number of training days, satisfying individual readiness requirements and meeting predetermined employment competency standards. Having regard to the costs associated with initial recruitment and employment training, the payment of a suitable proficiency bonus to retain trained and competent Reservists should prove to be cost effective.

Conditions of service

6.60 As previously mentioned, Reserve conditions of service are generally less favourable than those of full time members of the ADF. In the case of certain allowances, particularly those received when in the field, Reservists receive the same rate as full time members. The major benefit received by part time members that does not apply to full time members is exemption from income tax. This exemption applies to all Reserve remuneration including allowances and there is no restriction on the level of income. The tax exemption is particularly favourable to more highly paid members of the Reserve and those who have full time employment in addition to their Reserve activities. The exemption means that income received for Reserve service does not count for other purposes, such as Government payments subject to means testing.

6.61 Surveys undertaken in the past have indicated that remuneration and conditions of service are not the most important influence on either recruitment or retention. However, they do play some part in attracting or retaining Reserve members. A major review of ADF personnel policies conducted in 1995 (known as the Glenn Report) proposed a closer alignment of conditions for full time and part time members.⁷⁰ It gave special attention to the Reserves because of the importance they have, and will continue to have, in the context of the total force. In recognition of this, a new remuneration model containing a package of salary, allowances, accrual benefits support provisions and taxation was proposed. The model was based on a seamless fusion between part time employment (the Reserves) and full time employment (permanent members) representing a major change.

6.62 The major differences between Reserve and permanent conditions occur in relation to salary, service allowance, superannuation, health care and leave. A brief description of these differences is set out below.

Salary

6.63 Apart from certain officer ranks the Reserve rate of pay is based on 85% of the daily rate for the equivalent rank and increment in the permanent forces. For officers with a rank of 2nd Lieutenant to Major inclusive, and chaplains, it is 90% of the equivalent daily rate. The daily rate is determined by dividing the annual salary by 365. The divisor differs from many other industrial awards but has its basis in the

⁷⁰ *Serving Australia—The Australian Defence Force in the Twenty First Century*, Directorate of Publishing, Defence Centre, Canberra 1995.

requirement for the permanent forces to be available for duty 24 hours a day, 365 days a year. For pay purposes a period of not less than six hours is counted as one day, a period between three and six hours is counted as half a day and between two and three hours one-third of a day.

6.64 The appropriateness of the present rates of pay has been questioned on three grounds. The ratio of Reserve and permanent pay has been raised numerous times in the past. The Committee of Reference for Defence Force Pay examined the matter of pay equity in 1975 and 1984 and concluded that because of the disparity between the efficiency and skill of Reserves and permanent members there should not be equality in the rates of pay. In view of the development of common competency standards for Reserve and permanent members it is not clear whether this view should still prevail. Also, in many instances, particularly in the Navy Integrated Program, Reservists as trained former members of the permanent force are effectively being used in a *de facto*, permanent, part time capacity.

6.65 The Glenn Report suggested a divisor of 261 days as used in many industrial awards. Under peacetime conditions most full time members do not render 365 days a year and in most cases would serve for only five days per week and be entitled to annual and public holidays. In the event of extended periods of duty full time members would also receive stand down or leave in compensation. As Reservists are paid for attendance only, it is not possible to grant paid leave in compensation for extended hours of duty.

Service allowance

6.66 In addition to their basic salary all full time members, at a rank equivalent to major or below, receive a Service allowance to compensate for the exigencies of service life based on:

- the need to be on call at all times and to work long and irregular hours;
- the need to live and work in uncomfortable conditions;
- the requirement to submit to discipline and control; and
- the general turbulence in a member's lifestyle associated with the posting cycle.

6.67 Although they do not suffer postings turbulence, Reservists, when they are on duty, experience similar working conditions to those of their permanent force counterparts in relation to exigencies of service. The Glenn Report proposed that Service Allowance could be paid to Reservists to compensate for the demands part time military service placed on members and their families, including forgoing weekends and all, or part, of their annual leave entitlement. The Service Allowance was to be incorporated in salary and was part of a package including accrual benefits and support provisions.

Superannuation

6.68 Members of the Reserves have no entitlement to superannuation benefits. They are not entitled to contribute to the superannuation scheme available to members of the permanent forces. Also members of the Reserves are exempt from the provisions of the superannuation guarantee legislation that requires employers to pay a specified percentage (currently 9%) of an employee's income into a superannuation fund. These latter provisions apply to part time and casual employees in almost all areas of employment. It appears anomalous that part time members of the Reserves, who are regarded as a fundamental component of the total force and are providing an important community service, are excluded from an entitlement that is available to full time members and the bulk of the Australian workforce. It is understood that this distinction is due to Reserve salaries being exempt from tax. The Glenn Report recommended that part time members be eligible for pro rata superannuation benefits.

Health care

6.69 Full time members of the Services are required to maintain a minimum health standard and as such receive full medical and dental care at no cost to the members. In addition, because their health care is provided by Defence, they are exempt from the Medicare levy. In comparison, Reserve members receive medical care only when they are on duty and may claim exemption from the Medicare levy for that portion of time they are on continuous full time duty. Reserve members must maintain a certain standard of dental health at their own expense. Because Reservists are paid for attendance only, there is no compensation when a member is unable to attend due to illness. Although part time members are required to maintain high levels of physical fitness there is no assistance provided for injuries sustained in fitness activity outside of hours of attendance. Suggestions have been made in the past for Reservists to be eligible for subsidised health insurance.

Leave provisions

6.70 Reserve members are unable to accrue recreation or long service leave, regardless of the total number of days served in a year. In this respect the Reserves differ from almost all segments of the Australian workforce. Due to the part time nature of their service it would be impractical for Reservists to take leave but, in similar circumstances in the general workforce, part time or casual workers would receive salary loading in lieu as compensation. Loadings for part time or casual workers in the Australian Public Service are in the vicinity of 15% of the normal base salary. Full time members accrue long service leave at the rate of nine days per year of service but there is no provision for a pro rata extension to part time members. Therefore Reserve members do not receive recognition of what is, in some cases, extended periods of service.

Conclusion

6.71 The ANAO considers that, in most respects, conditions of service for members of the Reserve forces are less favourable than those of the permanent forces. There is equality in respect of some allowances, such as those related to uncomfortable or dangerous working conditions, but Reservists are generally at a disadvantage in comparison with the full time member. This distinction is most notable in Navy, where many former members are employed as part of an integrated program and may be performing similar, or identical, duties to full time members, albeit on a part time basis. With the increasing demand for part time members to achieve the same level of competency as full time members, both in skills and individual readiness, the justification for the differences in conditions is becoming difficult to sustain.

6.72 There has been a belief within the military that the different conditions applied to Reserves are compensated by their exemption from income tax. The tax exemption was not pay related and was not part of a remuneration package, but was the result of a Government decision designed to attract and retain members in the Reserve. The benefits of the tax exemption vary from member to member depending on their individual circumstances, in particular their employment status and their rate of income tax. With the recent emphasis on recruitment of students and unemployed, the benefit accruing from tax exemption may not be significant, although it should be noted that Reserve remuneration does not adversely affect eligibility for education allowances or social security payments. The tax exemption remains an important incentive to service in the Reserves, but it is only one of a variety of factors that need to be considered. Defence's view is that the tax exemption is the most important benefit provided to Reserve personnel and that if Reserve service became 'part time employment', it would be difficult to sustain an argument for tax exemption.

6.73 The Glenn Report of personnel policies for the ADF, conducted in 1995, envisaged the need for more flexible work practices and greater consideration of the employment conditions of the part time component of the ADF. If the concept of a total force is to be realised, common standards and competencies for full and part time members is an integral part. Common standards and competencies will, in turn, require a closer alignment of conditions for all members. The legislative amendments passed in 2001 will lessen the distinction between full and part time service, with an easier transition between the various elements of the Services. This is likely to heighten the need for a commonality of conditions.

6.74 The motivation for joining and remaining with the Reserves varies between individuals. It is recognised that remuneration is often not the principal factor underlying the reason for joining the Reserves. Many are prompted by ideals of serving their country, others by the thought of adventure or comradeship. However, in the face of competition from a wide range of leisure time activities and other part time employment opportunities, the conditions of service offered by the ADF will have a bearing on the decision of many present, or potential, members of the Reserves to commit themselves to an extended period of service. In particular, the transfer of former full time members to the active Reserve is likely to be favourably influenced by a perception that the conditions of part time service are comparable with full time conditions.

6.75 The ANAO understands that a review of conditions for part time service is proposed as part of current proposals to enhance the Reserves. Although the differences outlined above indicate the benefits of a more equitable alignment of conditions between the full and part time forces, it must be recognised that major adjustments of Reserve conditions will have a significant additional cost. Because of the differing personal circumstances of full and part time members it may not be necessary to align all conditions, but only those that are particularly relevant to attracting and retaining part time members. In view of the substantial costs involved in training new Reserve members, together with the high number of separations that have been experienced in recent years, the additional costs are likely to be warranted if they lead to reduced separations and a marked increase in the transfer of full time members to the active Reserve.

6.76 The ANAO considers that, in view of the development of common competency standards for full and part time members, it would be appropriate to seek a closer alignment of conditions of service for part time members.

Recommendation No.12

6.77 The ANAO recommends that, in association with any review of conditions of service for Reserve members, Defence:

- a) conduct studies to determine those conditions that are most influential in attracting and retaining Reserve members;
- b) assess whether the costs of any improvement in these conditions are likely to be accompanied by savings arising from increased retention, and transfers of retiring full time members to the active Reserve; and
- c) consider paying a suitable proficiency bonus to Reservists to recognise the achievement of prescribed standards for readiness, competency and attendance at training as a means of encouraging Reservists to stay in the Reserve force.

Defence response

6.78 Defence provided the following response to Recommendation No.12:

- a) Agreed.
- b) Agreed.
- c) Agreed in principle, subject to further examination of a range of possible measures including a proficiency bonus. Paying a proficiency bonus is one option only. While there is some support for this proposal, there are also strong opinions that such bonuses do not achieve desired results. Consideration of this option, along with other new or revised conditions of service, requires further work. A balanced package of conditions of service that are appropriate for different types of Reserve service (such as for high readiness Reservists) needs to be developed. The provision of bonuses or other conditions of service incentives should not be implemented in isolation, but should result from a detailed analysis of all measures considered essential to sustain a reliable Reserve contribution. This consideration will incorporate all aspects of Reserve service including attraction, service and retention. Before specific measures are implemented, cost benefit analyses would need to be undertaken.

7. Reserve Administration

This chapter highlights a range of issues relating to Reserve training salaries, attendance and funding, Army issued field clothing and equipment and Reserve management information systems.

Reserve salaries

7.1 At the commencement of each financial year, the Government approves the overall Defence budget. Part of this budget is an amount to cover the cost of salaries for Reserve members attending training. Members of the Reserve in each Armed Service are paid through a central Reserve pay (CENRESPAY) system. The Training Day Module element of CENRESPAY has been designed to provide a means by which units can manage the annual Reserve salary budget. In July 1996, it was amended to provide for management of training resources in monetary terms. Previously, it had displayed days as the unit of measurement.

7.2 Prior to the commencement of the training year, managers develop a schedule of activities to meet the training objectives for the coming training year, including the number of training days, and submit bids for the allocation of funds. Bids are examined in the context of the overall Defence budget and actual funding is approved on the basis of priorities and available resources. Allocations are then distributed to the various managers and training days are adjusted in accordance with the resources provided.

Army Reserve Training Salaries

7.3 The Army Reserve Training Salaries (ARTS) module of CENRESPAY is a computer-based facility driven by the attendance recording process. All attendances are recorded against an activity code and reports are available, in various forms, to different levels of the command structure. When a member attends for training, the attendance is recorded and input to CENRESPAY. Forecasts and usage of funds are monitored on a monthly basis. Each month, units are to compare their remaining training day allocation with the planned training day use for the remainder of the year. If there is a discrepancy between the remaining allocation and planned usage of more than 5%, units must decide whether the plan still represents a realistic assessment of future training activity. If training patterns have changed, the plan must be changed to reflect the alterations. Units should not allow actual training day use to exceed, or fail to achieve, forecast use without taking corrective action.

7.4 Defence's Management Audit Branch (MAB) recently reviewed the management of ARTS. The audits included testing of 19 Army units in various regions including a representative sample of Army Reserve units from Land and Training Commands. The audits found that, overall, the standard of administration was low. This was largely attributable to poor management practices, ineffective administrative training strategies, non-compliance with extant policy and failure to properly identify and manage business risks. The audits found that the management of ARTS did not comply fully with existing policy and procedures. Units satisfied some procedural requirements by providing bids for allocation and by maintaining activity registers, but ARTS expenditure was generally not phased across the financial year and, where phasing did occur, little or no attempt was made to reconcile the difference between phased and actual expenditure.

7.5 In the majority of cases, unit commanders had not appointed ARTS managers to monitor the day-to-day usage of ARTS. Where they had been appointed, ARTS managers generally received no training in ARTS management. ARTS managers rarely referred to, or used, the ARTS management instructions. The main factor contributing to poor management was that both Land and Training Commands had adopted separate resource management systems. Land Headquarters had implemented the Forecast Activity Planning and Estimates System (FAPES) and Training Command used the Army Training Information System (ARMYTIMS) as its principal information system. These systems were given precedence by units. This did not foster positive governance outcomes, as executive managers did not have visibility of resource usage.

7.6 The MAB also found that the majority of units had undertaken training beyond that contained in the training program and that this had not been appropriately documented and approved by the delegate. The MAB estimated that additional training worth \$2 million had been paid at the units reviewed. As this lack of approval was consistent across all units the MAB extrapolated this finding to all Reserve units and estimated that, nationally, unapproved, additional training of \$6 million could have occurred. Discrepancies were found between data on unit personnel rolls and other database management systems in Army, raising doubts about the reliability and integrity of some of this information. Failure to identify and discharge non-effective Reserve members also contributed to inaccurate unit establishment figures.

7.7 The MAB report found that, until recently, there was little senior management monitoring to detect and correct high levels of risk at unit level flowing from non-compliance with policy and procedures, ineffective risk management and other environmental factors. At the unit level, pay administration was inefficient and ineffective. Testing at units revealed significant control weaknesses, resulting in high levels of risk. Unit commanders generally relied on subordinate staff for advice and day-to-day management of the Reserve pay process. At the subordinate level, a lack of technical skills coupled with a need to balance other priorities, in a sometimes part time environment, impacted adversely on the management and control of the system. MAB concluded that unit commanders were inadequately trained for administrative duties. As a result, individual unit/sub-unit administrative responsibilities were often not adequately defined and managed and, in the majority of cases, key administrative staff were not promulgated or correctly promulgated in Routine Orders. The audits also found errors and omissions in attendance reporting.

7.8 The report noted that, with the transition from CENRESPAY to the new Personnel Management Key Solution (PMKEYS) and the delivery of centralised military personnel administration, Army will be able to reduce its current administrative workload. In such an environment, it is more likely that effective business control arrangements can be implemented. Following the transition to centralised service delivery of military personnel administration, Army will need to address residual risks that remain within its control. MAB also acknowledged that the inclusion of the Army Financial Service Unit as an agency of Army Headquarters will provide a pool of resources that could be deployed to review the suitability of the extant strategic business and financial management framework.

Navy and Air Force Reserve Salaries

7.9 The MAB has also undertaken reviews of Reserve pay administration in Navy and Air Force. The findings of these reviews have been similar to those identified in Army. The MAB concluded that a major contributing factor in all three Services was the low level of training and experience of many pay administration staff and supervisors and inadequate documentation of unit attendance practices and procedures. In commenting on training in the three Services, the MAB noted that:

Many staff and supervisors have not received appropriate initial training. Some ongoing training is provided on an ad hoc basis. Navy and Army both provide some form of formal training. Air Force

relies on on-the-job training and selective attendance at practitioner workshops. MAB noted that the standard of Reserve pay administration in Air Force, at the sites visited, was not significantly worse than that of the other two services.⁷¹

7.10 The audits also found inadequate documentation of practices and procedures. Navy noted that some managers of ANR personnel neither understand their obligations in managing Reserve personnel, nor utilise the advice available through local Reserve administration cells or the Reserve Career Management Cell in Navy Office.

ANAO comment

7.11 In 2000 the Government approved funding for the issue of 'swipe' cards to all Reserve members. These cards are to be used in recording attendance and should overcome some of the problems noted by MAB in relation to recording attendance of members.

7.12 The MAB findings are consistent with other matters identified by the ANAO during the course of the audit. The Reserve Sustainability Report⁷² found that an amount of \$85 million was provided for ARTS in the 1997–1998 financial year. This budget was based on 45 days training for each individual on Army's authorised Reserve strength. Despite the fact that the actual strength was only 64% of the authorised strength, expenditure was almost \$82 million. These figures suggest that, on average, Reservists attended training for considerably more than the 45 days on which the estimates were based. This suggests that the MAB estimate of \$6 million of additional expenditure for training not included in the program, may be understated. Defence noted that ARTS is used for a variety of administrative and support tasks beyond training activities.

7.13 The ANAO also found difficulty in reconciling staffing figures contained in the CENRESPAY database with other data sources including the three Service personnel databases Navy Personnel Management System, AMAN and Air Force Personnel Management System. The ANAO acknowledges that the development of the PMKEYS should provide a more accurate record of Reserve personnel.

⁷¹ Department of Defence, Management Audit Branch, *Reserve Pay Administration Across the ADF*, No 98073 NSW, 1998, p.5.

⁷² Department of Defence, Report of a *Study into Sustainability of the Reserve Component of the Enhanced Combat Force*, December 1998

7.14 One factor contributing to the unsatisfactory administration of ARTS is that many of the activities are undertaken by part time members. These members are often processing documentation outside normal working hours, during evening or weekend parades, when it is not possible to contact subject matter specialists for advice. If the Reserve member with responsibility for pay matters does not attend a parade the administration will fall into arrears. An underlying problem is that Reserve units are expected to perform the same administrative functions as full time units but their time is quite restricted. Most administrative staff are Reserve members and there are only a limited number of permanent full time members to undertake administrative tasks during the day. The ANAO noted that part time staff with pay responsibilities had been unable to attend appropriate training because insufficient time was available.

7.15 The ANAO found that Army Headquarters has been attempting to develop a definitive policy document on ARTS management for some time. Drafts of this policy document have been developed, but it had not been finalised at the time of audit fieldwork. It is also proposed that a common pay system be introduced for permanent and Reserve personnel.

7.16 The ANAO considers that if the problems identified by the audit are to be overcome a clear and comprehensive policy statement needs to be provided to Reserve units. Appropriate training, for all levels, needs to be provided to unit personnel, including adequate back-up resources.

Army Reserve attendance and funding

7.17 As stated earlier, the minimum period of attendance for Army Reserve training is specified as seven days for specialist consultants and 14 days for other members. Most Reserve units set a minimum of at least 20 days service for a member to be effective, but the Chief of Army recently noted that members were expected to parade in the order of 26 days a year to be efficient and effective.⁷³ In other documentation, the ANAO noted that it has been estimated that service of 50–70 days would be necessary for members to achieve high readiness levels. During the ANAO fieldwork, senior unit representatives concurred with this estimate. Army noted that it does not have a formal policy for determining effective Reserve service.

⁷³ On 30 May 2000, in evidence to the Senate 'Estimates Committee', the Chief of Army stated '*that members were expected to attend for something in the order of 26 days a year to be efficient and effective*'.

7.18 At the time of audit, training day estimates for funds were based on attendance of 45 days per member. An analysis of CENRESPAY data showed that more than 20% of members attended for periods in excess of 45 days. The ANAO recognises that a proportion of members, particularly those undergoing both CRT and IET, will require more than 45 days if they are to complete both types of training within a year. However, as only 1417 members were recruited to the Army Reserve in 1999–2000 and not all of these members would have undergone the full complement of training in their first year, this does not explain the high attendance levels for a large proportion of the Reserve. In view of the low readiness and capability levels of the Reserves noted in Chapter 3, there is considerable doubt that this level of expenditure on training days is cost effective.

7.19 A member who fails to attend a camp of continuous training or three consecutive home training parades (weekly parades) without approved leave is assessed as ineffective. In many instances, there is a considerable delay by units in discharging members who have been absent from training for extended periods. Because of the voluntary nature of Reserve service, members do not necessarily resign, but may simply cease attending without any formal notification that they wish to leave the Reserve. In other cases, members, for pressing reasons, may fail to attend for extended periods, without seeking leave, and subsequently resume. For these and other reasons units can be reluctant to discharge members who have failed to satisfy 'efficiency/effectiveness' criteria.

7.20 In bidding for the allocation of training day funds the majority of units base their bids on their posted strength and some may use authorised establishment. In either event, the bids are likely to be overstated as the number of members actually attending will generally be less than either of these figures. In this way, surplus funds can be obtained and used for unplanned training or other activities. The ANAO considers units should take prompt action to identify members who do not satisfy efficiency and/or effectiveness criteria and seek to ascertain whether these members wish to resign or be transferred to the standby Reserve. Funding bids should only be based on a realistic estimate of members likely to attend for training, having regard to wastage and recruitment levels.

7.21 The ANAO considers that, in developing a policy document for ARTS management, Army should provide clear guidance to units on the methodology to be used in calculating ARTS funding requirements. At present estimates are based on an attendance of 45 days a year for each member. In view of the statement that about 26 days are needed for members to be efficient and effective, the justification for using 45 days is unclear. As indicated above there is no assurance that the surplus funding arising from this approach is contributing to additional capability. Army noted that it is finalising a policy for ARTS management.

7.22 An approach more closely related to achievement of capability outcomes would seem to be more appropriate. A possible approach would be to require each unit to produce a specified number of members to provide a short term capability (ie. high readiness) and another group of members to provide a longer term expansion base (low readiness). Different training and attendance requirements could then be established to enable each group to achieve the desired readiness levels. At the end of the training year the capability achieved could then be measured against the resources consumed during the year.

Recovery of Army issued field clothing and equipment

7.23 Upon enlisting in the Reserve, members are issued with a full complement of field clothing and equipment including sleeping bag, webbing, compass, uniforms, and other items of equipment. The value of kit issued to members is generally between \$1000 and \$1400, with the average issue of kit having an estimated value of \$1200.

7.24 In 1999–2000 about 3600 members were discharged from the Army Reserve. In most instances, members were discharged for failing to meet efficiency/effectiveness criteria, ie. failing to attend for training. Once a decision is made to discharge a member as non effective, the member is advised by registered mail and is ordered to deliver up equipment on issue to the member. After 14 days, a second letter endorsed ‘Second and Final Request—Recovery Procedures will commence in 14 Days’ is sent. There is no requirement for a unit representative to go to the member’s residence to recover equipment and no further recovery action is taken against discharged members if they do not return equipment.

7.25 Discussions with units during ANAO fieldwork revealed that about 80% of members did not return their kit on discharge, and that units have been directed to write off this equipment. This indicates that in 1999–2000 some 2800 members did not return equipment that cost Defence \$3.3 million. The ANAO acknowledges that this figure does not

take into account depreciation on the equipment. However, in view of the substantial value of the kit that is being written off, the ANAO considers that Army should exercise tighter control over Army issued equipment and develop more effective recovery action when members do not return it. This would include appropriate action under Sections 34 and 42 of the *Financial Management and Accountability Act 1997*.

Information systems

7.26 Defence has a wide range of national computer-based information systems that contain a variety of data relating to the Reserve forces. With the exception of CENRESPAY, these systems have been designed to support the full time forces as well as the Reserves. Most of these systems have complex operating instructions and require operators to have a considerable degree of training and experience to be fully effective. Also technical and help desk support is frequently only available during normal office hours. As many of these systems are operated by part time Reserve members outside office hours, usually with limited opportunities to attend training in specific systems, it is not surprising that difficulties are being experienced in the maintenance of data on these systems.

7.27 As discussed in Chapter 2, Navy acknowledged that it is currently limited by available databases and that an accurate database is required to manage the availability of Navy Reservists.

7.28 The ANAO observed reports indicating that the administrative systems developed by Army for general use (ie. by Australian Regular Army and Reserves) were placing a particularly heavy burden on the part time Reserve resources. A MAB report on the Revitalisation of 4 Brigade stated there were over 50 individual returns to be prepared on a monthly basis and many of these returns contained essentially the same information. Because of the geographically dispersed nature of the Reserve units and depots and, in some cases, inadequate communication facilities there is considerable reliance on manual recording and the relay of information by mail. Although, in recent years, computers have been distributed to many locations, they are often stand alone units or do not provide secure communications. Some personnel lacked confidence in their ability to use the computers or had insufficient training in the specialised applications.

7.29 The MAB report on the administration of ARTS noted that Reserve units were giving preference to recording activity codes contained in separate resource management systems used by Land and Training Commands (FAPES and ARMYTIMS). Because the codes for these two systems varied from those contained in the ARTS management

instructions, incorrect activity codes were being used, resulting in inaccurate expenditure dissection and executive managers did not have proper visibility over resource expenditure. Similar problems were noted with ARMYTIMS. Some Reserve units were also experiencing difficulties with ARMYTIMS due to insufficient training.

7.30 FAPES is a personal computer based system that assists in the compilation of zero based resource bids for unit operations. It forecasts resource usage, including expenditure and equipment requirements and provides post activity consumption figures. It relies on data transfer by disk to other users and manual interface to other systems such as the Standard Defence Supply System (SDSS). The ANAO observed problems in the operation of FAPES by Reserve units, partly due to computer illiteracy and lack of training, not only in FAPES but also in related systems. There were also some inherent difficulties with FAPES as a management resource tool, including lack of adaptability to changing priorities and shifts in emphasis. Another major difficulty with FAPES is that training directives are issued on a calendar year basis to fit in with standard holiday periods and availability of key participants. However, resources are sought and allocated on a financial year basis. An updated version of FAPES was released to units in August 2000 but problems were experienced with its implementation.

7.31 The ANAO was also advised of difficulties being experienced by Reserve units with other major systems being implemented by Defence. Previously, units used AUTO Q as an internal stock management tool. However, this system is being replaced by SDSS. SDSS is a universal equipment management tool requiring a high degree of maintenance, is not easily understood by all users and will require extensive training. As a result its use will impose a substantial workload on part time Reserve units. Similarly, the introduction of a new financial management system (ROMAN) will place a further training demand on limited part time resources if it is to be used effectively. Another issue with these new systems is connectivity to remote regional depots and there is some concern that the systems may not be available at all depots.

7.32 The ANAO acknowledges that the new systems are intended to achieve improvements in Defence's key information systems and the main focus is on the full time elements of Defence. As a consequence Reserve elements are unlikely to receive priority in training or in the design and implementation of the systems. However, as the Reserves, especially in Army, represent a significant component of the total force, their special needs and circumstances should be recognised during the implementation process. If the systems are to contain complete and accurate data there

will be a requirement for part time Reserve staff using the systems to be adequately trained. Appropriate support will need to be provided having regard to the situation that most Reserve activities are conducted outside normal working hours and may be in locations with poor communication facilities. Defence noted that Reserve units endure high administrative workloads, often the result of old and inefficient systems, but that much effort is being made to rationalise ADF information systems.

Recommendation No.13

7.33 The ANAO recommends that, to improve the administration of ADF Reserves, Defence:

- a) provide appropriate training for unit personnel on the administration of Reserve salaries;
- b) develop a clear and comprehensive policy on the management of Army Reserve training salaries;
- c) exercise tighter control over the recovery of Army issued field clothing and equipment from former members and develop more effective strategies for its recovery; and
- d) provide appropriate support and training to Reserve staff in relation to the operation of Defence's key computer-based information systems.

Defence response

7.34 Defence provided the following response to Recommendation No.13:

- a) Agreed.
- b) Agreed.
- c) Agreed.
- d) Agreed.



Canberra ACT
7 May 2001

P. J. Barrett
Auditor-General

Appendices

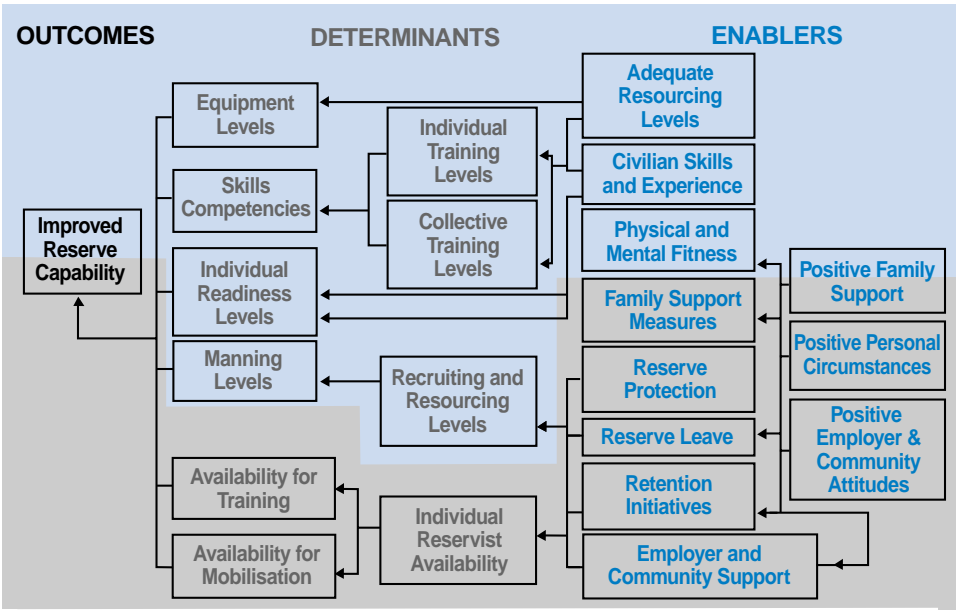
Appendix 1

Whole of Reserve Capability Equation

Chapter 1 referred to the ‘Whole of Reserve Capability Equation’ employed by Assistant Chief of the Defence Force Reserves (ACRES). This capability model is a holistic approach to enhancing Reserve capability. Under this model, outlined in the diagram below, ACRES noted that:

Achievement of capability as the required ‘outcome’ will be governed by a number of ‘determinants’ which in turn, will be influenced by a number of ‘enablers’ that first must be addressed. Determinants can include Reservist training and availability, and enablers can include improved community support and presence of various protection measures. Simplistically, societal changes and trends and Reservists availability will determine capability, and will impact on the traditional Reserve model. Addressing Reserve capability through the enablers and determinants in this construct should lead to increased Reserves availability and, in turn, an improved Reserves contribution to total ADF capability.

Figure 7
The Whole of Reserve Capability Equation



Assistant Chief of the Defence Force—Reserves responsibility for Reserve policy oversight

Source: Assistant Chief of the Defence Force—Reserves

Appendix 2

Past Major Reserve Review Activity

1. **The Inquiry into the Citizen Military Forces 1972–74**—Chaired by Dr. T B Millar of The Australian National University, the Committee of Inquiry into the Citizen Military Forces produced a report in 1974. The report outlined the importance of Reserve forces in national defence and set out principles for the organisation, training, equipment and conditions of service of Reserve forces. The central recommendation of the report was to propose a total force. Australia should have one army of which the Australian Regular Army and the Army Reserve were to be the principal elements.
2. **Australia's Army Reserve, Audit Report No 3 1990–91**—A major ANAO performance audit report, tabled in August 1990, identified a range of matters requiring attention including role and structure of the Reserves, equipment shortages, attendance records, strength management and inadequate training. It also estimated the annual cost of the Army Reserves to be about \$475 million and questioned whether Defence was receiving value for money.
3. **The Australian Defence Force Reserves, JCFADT, 1991**—A report of the Joint Committee on Foreign Affairs, Defence and Trade on the Australian Defence Force Reserves in November 1991 was critical of various aspects of the Reserves. The report also referred to the findings of Audit Report No. 3 1990–91 on Australia's Army Reserve.
4. **The Defence Force and the Community, June 1990**—The 'Wrigley Report' on the Defence Force and the Australian Community recommended reductions in permanent members of the Defence forces and a major expansion of Reserve forces.
5. **Review of the Ready Reserve Scheme, Smith, H., Coates, J., UNSW, June 1995**—Partly in response to these reports, the Ready Reserve Scheme commenced in January 1992. This scheme entailed 12 months' full time training with an obligation to provide a further four years of part time service for 50 days per year. Despite the conclusions of this review that the scheme was viable and should be retained, the scheme was discontinued by the present Government.
6. **Serving Australia—The Australian Defence Force in the Twenty First Century (the Glenn Report)**—In 1995 a review of personnel policy in the ADF was undertaken by a team headed by Mr Graham Glenn. The review recommended significant changes to the remuneration package for the Reserves but these have not yet been implemented.

7. Revitalisation of the Reserves—In 1996 the then Chief of the General Staff issued directives relating to revitalisation of the Reserves. Initially, the revitalisation activity was to be focused on 4 and 13 Brigades. A Management Audit Branch report in February 1999 revealed that, despite the Chief of the General Staff directives and an increased level of activity in recruitment and training, there had been only marginal improvements in the effectiveness of 4 Brigade. Many of the issues raised in the Management Audit Branch report were similar to those contained in the 1990 ANAO report.

8. An Army for the Twenty First Century/Restructuring the Army, 1996–1999—As part of the Restructuring the Army process that commenced in 1996 a series of studies have been conducted into the concept of the Enhanced Combat Force. The Reserves are an integral element of this force. A study into the sustainability of the Reserve component has been completed and further studies into the role and tasks of the Reserve are being undertaken. Other studies have examined recruitment and retention issues.

9. From Phantom to Force, Towards a More Efficient and Effective Army, JCFADT, 2000—The Joint Committee on Foreign Affairs, Defence and Trade report on the Australian Army in August 2000 was critical of various aspects of the Reserves, in particular the hollowness of the force.

Source: Department of Defence, Australian National Audit Office and Joint Committee on Foreign Affairs, Defence and Trade reports.

Appendix 3

Army Planning Processes

Army Management Framework

1. The Army Management Framework (AMF) is being developed to ensure that Army's command and management processes are appropriate and coordinated. The AMF provides a new capability and resource management structure, incorporating a revised Army Planning Process. The new planning process is to support commanders at all levels to closely align assigned missions and tasks with allocated resources and performance targets in developing their training and activities. The process is designed to coherently link strategy, future capability and resources to current capability and outputs.
2. The AMF and particularly the Army Planning Process will be supported across Army through the Army Capability Management System, which electronically integrates information on strategic guidance, preparedness requirements, activities, resources and performance.

The Army Model

3. In 1999, as part of the Restructuring the Army trial, a number of Reserve studies were undertaken. A 'Study of Reserve Availability' identified the parameters and costs associated with the provision of effective Reservists, providing an understanding of the issues determining the availability of Reserves. The study concluded that suitable roles and tasks for Reserves needed to be identified, in order for the Reserve contribution to Army capability to be sustainable. A study paper entitled 'A Strategic Rationale for the Army Reserve of the 21st Century' was presented to the May 1999 Chief of Army Senior Advisory Group meeting. The paper established a link between strategic guidance and Reserve roles and tasks and advanced a strong argument for an integrated Army. The paper also developed the Army Model outlined below. A further analysis of 'Military Response Options' identified that the Reserve could contribute to a range of capability outputs and that it was not limited to operations in defence of Australia. The 'Reserve Roles and Tasks Analysis' examined the ability of the Reserves to provide individual and collective contributions to a wide range of tasks.
4. An effective military capability embraces four key functions: force generation, deployment and recovery, combat operations, and sustainability. Force generation is the process of providing suitably trained and equipped forces and their means of deployment, sustainability and recovery to meet all current and potential future tasks, within required readiness and preparation times. Deployment and recovery involve the movement of combat forces to, within and from a theatre of

operations. Combat operations are the means by which a force undertakes its warfighting mission. Sustainability is the process of enabling a force to maintain the necessary combat capability to achieve its objectives. It embraces all aspects of sustaining the manpower, equipment and stores that enable a force to complete its mission. These functions, in conjunction with the Army Model, provide a framework to measure the effectiveness of a capability for military operations.

5. The Army Model provides a conceptual basis for force structure development that recognises the need for balance between the four key functions of military capabilities and the linkages between deployable forces and the wider community. The Army Model consists of five elements: the Ready Deployment Force, the Latent Combat Force, the Enabling Component, and National and International Support. Collectively the various components of the Army Model enable the four functions that military capabilities should embrace.

6. The Ready Deployment Force provides the combat capability necessary to meet the requirements of designated military response options within crisis warning time.⁷⁴ The Ready Deployment Force contains combat, combat support and combat service support elements and its size and composition are determined by extant strategic guidance. It will consist mainly of full time (permanent) forces but will also have part time (Reserve) elements, both individual and collective, which provide specific complementary capabilities at commensurate levels of readiness notice.

7. The Latent Combat Force provides the combat capabilities required to meet military response options within capability warning time⁷⁵ and a reserve capacity to meet military response options not foreseen under crisis warning time. The Latent Combat Force also contains combat, combat support and combat service support elements. It provides a ready source of personnel and equipment to expand the Ready Deployment Force in response to changes in the strategic circumstance (mobilisation) and provides the expansion base for the Army. The Latent Combat Force is, in essence, the Army's strategic depth, enabling it to adapt to changes in the strategic environment. To do this it must be able to generate military forces effective in the future warfare environment. It is therefore essential that the Latent Combat Force be equipped and resourced to support the Ready Deployment Force and reflect the concept-led approach to force development adopted by the Australian Army.

⁷⁴ Crisis warning time is measured in days or months.

⁷⁵ Capability warning time is measured in years.

8. The Enabling Component trains, supports and equips combat capabilities as they move through increasing levels of operational preparedness, until available for deployment as an element of the Ready Deployment Force, and it also sustains deployed forces. In many of these endeavours, the Enabling Component draws on support from the national and international communities by means including the recruitment of personnel, the procurement of materiel and the provision of services. The Enabling Component contains individual training and base logistic support elements. The Enabling Component provides the means to facilitate the expansion of the Ready Deployment Force (mobilisation), to sustain the combat force and to generate new capabilities. The Enabling Component is vital to achieve and sustain the Ready Deployment Force, and directly affects Army's capacity to meet the Government's requirements. The Enabling Component has an expansion and mobilisation underlay of its own. It must possess sufficient surge capacity to meet the needs of short notice increases in demand. The Army elements of the Enabling Component are supported by other non-Army Groups.

9. As changes in the strategic environment occur, elements of the Army should move between the Ready Deployment Force and the Latent Combat Force. For example, as crisis warning time decreases or the range of anticipated crises increases, forces should move forward into the Ready Deployment Force. Alternatively, as crisis warning time increases or the range of anticipated crises decreases, forces should move from the Ready Deployment to the Latent Combat Force.

10. Expansion of the Ready Deployment Force involves the mobilisation of the Latent Combat Force elements with support from the Enabling Component. The absence of Latent Combat Force elements at appropriate readiness, or inadequate surge capacity in the Enabling Component, will jeopardise the timely expansion of the Ready Deployment Force. An enabling component which is 'asset stripped', to support a particular short term steady state, loses the capacity to respond in a timely manner to strategic turbulence.

11. Without a Latent Combat Force and a responsive Enabling Component, the Ready Deployment Force would become locked into meeting the challenges of a particular contingency or range of contingencies, with little capacity to adapt in a timely manner to changes in the strategic environment. It is noteworthy that important contributions to three of the four functions that military capabilities should embrace—force generation, deployment and recovery, and sustainability—come from the Latent Combat Force, the Enabling Component, the national support base and international suppliers.

12. The preparedness of a force is a measure of its readiness to undertake particular operations and the period during which the force can be sustained in operations. Ready forces (such as the Ready Deployment Force) normally have their full complement of personnel and equipment and are trained to fulfil likely operational tasks. They are available for employment at short notice. Sustainability involves the provision of replacement personnel and materiel to maintain a deployed force during operations. Short-notice sustainability requires the ready availability of such personnel and reserve stocks within the force-in-being. A longer-term requirement may be satisfied by the adoption of appropriate mobilisation processes based on recruitment and procurement.

13. High preparedness is costly and in peacetime it is not normally necessary to maintain all combat elements at high levels of readiness. The strategic circumstances and Government policy will determine the number and types of forces in the Ready Deployment Force. Other elements (the Latent Combat Force) may be maintained at lower levels with mobilisation plans to support their transition to higher readiness. Shifts in preparedness imply shifts in resources and an increase in the overall preparedness of an Army requires the allocation of additional resources.

Source: Restructuring the Army, Roles and Tasks study, Update brief for Chief of Army, December 1999 and Inquiry into the Suitability of the Australian Army for Peacetime, Peacekeeping and War, JCFADT, Hansard, Submissions Volume 3, July 2000, p.762.

Appendix 4

Analysis of Army Reserve Membership

1. In order to gain better understanding of the challenges that Defence faces in the recruitment of Reservists, the ANAO, assisted by a firm of consultants, analysed data provided by Defence on Army Reservists in 1997 and 2000.

2. The analysis compared the number of Army Reservists with the numbers of people aged 18 to 40 in the general population, firstly on the basis of geographic distribution by regions and secondly on the basis of socio-economic characteristics. The rationale and details of these two approaches are provided below.

3. The aim of the analysis was to look for significant variations in participation rates which would provide:

- a) a better understanding of where Reservists come from (both regionally and socio-economically); and
- b) some insights which might suggest directions for future recruitment (for example, areas of lower than expected participation).

Change in participation 1997 to 2000

4. The most significant feature of the change in Army reservist numbers is the fall by over 25% between 1997 and 2000 as shown in Table 11.

Table 11

Army Reservists on strength, resigned and recruited – 1997 and 2000

<i>Status of resignation and recruitment</i>	<i>Number of Reservists</i>	<i>% of 1997</i>	<i>% of 2000</i>
Reservists on strength 1997	23 875	100.0	
Resigned 1997-2000	12 841	53.8	
Remained on strength 1997-2000	11 034	46.2	63.5
Recruited 1997-2000	6 329		36.5
Reservists on strength 2000	17 363		100.0

Source: Directorate of Workforce Planning and Establishments.

5. Table 11 indicates that the Army Reservist population has had a high turn over between 1997 and 2000, with over half resigning from the force. Since recruitment has not kept up with losses, the group common to both years has become more important in maintaining Army Reserve numbers. However, with increasing age of the members, this group may be expected to diminish quite rapidly over time. This highlights the importance of successful recruitment strategies and operations.

6. Compared to the estimated Australian population aged 18–40 years (5 427 600 in 2000), the proportion of people in the Army Reserve has fallen from 4.4 per 1000 to 3.2 per 1000. Army Reservists are consequently a small and diminishing proportion of the general population.

Regional distribution

7. The ANAO analysed the statistics for participation in the Reservists for the years 1997 and 2000 according to the residential addresses of each reservist, as extracted from the records held by Army.

8. The hypothesis or possibility being tested in this ANAO analysis is that Reservist recruitment differs significantly between different areas and that by analysing these differences it might be possible to devise improved strategies for recruitment.

9. For analysing the regional distribution of Reservists, the ANAO used standard Retail Marketing Regions (RMR), as devised for use in the marketing industry and defined by the estimated catchments for major shopping plazas, Australia-wide. In a highly motorised society such as Australia, access to shopping plazas and the extent of the RMRs, provide a good indicator of how easy it is to visit central places used on a frequent basis by most of the adult population. If one can reach a plaza for shopping, then one could reach the same centre for training in the Reserves. Australia-wide there are 144 major shopping plazas and 235 Army Reserve centres.

10. Many Reservists could not be attributed to regions for 1997 since the details of their address on the Reservists' records was not accurate enough for data analysis. Because only 80% of Reservists are included in the 1997 totals, these figures are only broadly indicative at best. The numbers for 2000 are much firmer, covering over 96% of Reservists.

Urban/rural differences in participation in the Army Reserve

11. The RMRs were grouped by State and whether their catchment is predominantly urban or rural, as noted in Table 12. The table demonstrates the predominantly metropolitan/urban nature of the Reservists but indicates also the significance of larger regional-rural centres.

Table 12**Residence of Army Reservists 2000 - Numbers by State and regional type**

<i>State</i>	<i>Metropolitan</i>	<i>Large urban (non-metro)</i>	<i>Town and country</i>	<i>Small town and rural</i>	<i>Total</i>
NSW	2377	735	478	517	4107
VIC	2311	453	466	154	3384
QLD	2075	381	1599	132	4187
SA	1366	na	na	115	1481
WA	1441	na	16	283	1740
TAS	na	543	202	25	770
NT	na	na	288	89	377
ACT	na	601	na	na	601
TOTAL	9570	2713	3049	1315	16 647

Note 1: Key to regional types:

- Metropolitan includes the five major State capitals with over 1 million people.
- Large urban includes centres with population greater than 150,000, but less than 1 million.
- Town and country includes major regional centres (population 30,000 to 149,000) and their hinterlands.
- Small town and rural includes rural areas with no urban centre greater than 30,000 population.

Note 2: The total population omits the approximately 600 reservists whose address could not be accurately identified.

Note 3: na – not applicable as there are no regions of the particular type.

Source: Directorate of Military Personnel Systems.

12. Major differences in participation rates occur between regions. Against the national average of three Reservists per 1000 people aged 18–40 years (3/1000), 50 regions had participation rates of less than 2/1000 (nine regions less than 1/1000) and 27 regions had rates greater than 5/1000.

13. The ANAO analysis sought to find some explanation of these differences between regions. It did this by analysing the geographic distribution of participation by regions and by socio-economic regions. Table 13 summarises the differences in participation rates by State and by urban-rural distribution, in terms of the numbers of regions.

14. Regions of higher than average participation occur in all States and territories but this seems to be more pronounced in the mid sized and smaller States and territories; Brisbane, Perth and Adelaide and the non-metro areas of Queensland have a larger proportion of regions with above average participation. Although some areas of Sydney and non-metro NSW have regions of above average participation, generally participation in Victoria and NSW is lower than in other States, notably in Melbourne, Sydney, Hunter and Illawarra. Other regions of below average participation occur in many rural and remote areas.

Table 13

Numbers of regions of above and below average participation rates by Army Reservists, 2000

<i>State</i>		<i>Metro-politan</i>	<i>Large urban (non-metro)</i>	<i>Town and country</i>	<i>Rural and remote</i>	<i>Total</i>
NSW	Above av	5	5	1	5	16
	Below av	14	6	4	2	26
VIC	Above av	1	2	2	0	5
	Below av	7	1	3	2	13
QLD	Above av	8	1	5	2	16
	Below av	4	2	0	1	7
SA	Above av	3	na	na	1	4
	Below av	0	na	na	5	5
WA	Above av	5	na	0	3	8
	Below av	1	na	1	3	5
TAS	Above av	na	1	1	na	2
	Below av	na	0	1	na	1
NT	Above av	na	na	1	2	3
	Below av	na	na	0	1	1
ACT	Above av	na	3	na	na	3
	Below av	na	1	na	na	1
TOTAL	Above av	22	12	10	13	57
	Below av	26	10	9	14	60

Note 1: Average participation is three Reservists per 1000 people aged 18-40 years.

Note 2: na – not applicable as there are no regions of the particular type.

Source: Directorate of Military Personnel Systems.

Socio-economic analysis of Reservists

15. To gain a further understanding of the contrasts in patterns of participation revealed by the regional analysis, the ANAO used a method of socio-economic classification derived from commercial marketing. This is a software package called 'Mosaic'.

16. Mosaic is based on the Australian Bureau of Statistics 1996 Census (updated to 2000) and uses multi-variate analysis to sort the Australian population into 41 socio-economic types based on residential addresses.⁷⁶ Each Mosaic cell contains only 20 twenty households, which are characterised by the predominant Mosaic type in the cell, thus forming a very fine mosaic of information.

⁷⁶ The requisite privacy safeguards were observed and all information was used on a strictly confidential basis and data used contained no names.

17. Where the marketing specialists speak of 'market penetration', the ANAO looked for 'rates of participation'. The rationale here is that the choice to participate in an organisation like the Army Reserve is based on a mix of socio-economic and demographic influences including education, employment status, family background and situation and general cultural environment and aspirations.

18. Participation rates for the Reservists in 2000 among different Mosaic groups varied from a low of approximately 1 per 1000 adults (population 18–45 years) to 6 per 1000.

19. The observations drawn from the Mosaic data are not intended to provide a full analysis of the information but rather an illustration of the type of insights which can emerge from this analysis. In addition, it is important to note that the purpose of any marketing analysis (including Mosaic) is not the analysis itself, but the marketing strategy, which can be built on the analysis. For example, to complement the analysis, a marketing strategy would provide indications of how best to contact (which media to be used—eg. television or magazine promotions) and provide information to the target clientele (in this case the group containing the most likely potential recruits to the Army Reserve).

20. Preliminary observations derived from the ANAO analysis include:

- one of the nine Mosaic groups, identified as urban, accounted for over 25% of Reservists;
- in urban areas, higher than average participation occurs among Mosaic types characterised by young people building a future and a family, often in new suburban housing areas. There is a strong blue collar/tradesperson element here. Another prominent urban group includes those employed in the public service and business, often with tertiary education, or students living with parents;
- higher than average participation occurs in small town service centres characterised as 'self sufficient families in provincial centres';
- lower than average participation in Reserves in urban areas is associated with non-Australian/British born (ie. ethnic groups of Mediterranean or South East Asian origin) and with suburbs of white collar affluence; and
- in rural areas lower than average participation among the group identified as farmers—presumably reflecting among other things the difficulties of remoteness and demanding rural lifestyles.

21. The Mosaic analysis also produced tables of participation on the basis of Gender (separating female and male), Rank (officers, NCOs and Privates) and employment (students, unemployed, employed) by Mosaic type. In each case significant differences were observable in participation rates by different groups of Reservists. These could form the basis of further work by Defence.

Appendix 5

Performance Audits in Defence

Set out below are the titles of the ANAO's previous performance audit reports on Department of Defence and Australian Defence Force (ADF) operations tabled in the Parliament in the last five years.

Audit Report No.26 1995–96
Defence Export Facilitation and Control

Audit Report No.28 1995–96
Jindalee Operational Radar Network Project

Audit Report No.31 1995–96
Environmental Management of Commonwealth Land

Audit Report No.15 1996–97
Food Provisioning in the ADF

Audit Report No.17 1996–97
Workforce Planning in the ADF

Audit Report No.27 1996–97
Army Presence in the North

Audit Report No.34 1996–97
ADF Health Services

Audit Report No.5 1997–98
Performance Management of Defence Inventory

Audit Report No.34 1997–98
New Submarine Project

Audit Report No.43 1997–98
Life-cycle Costing in Defence

Audit Report No.2 1998–99
Commercial Support Program

Audit Report No.17 1998–99
Acquisition of Aerospace Simulators

Audit Report No.41 1998–99
General Service Vehicle Fleet

Audit Report No.44 1998–99
Naval Aviation Force

Audit Report No.46 1998–99
Redress of Grievances in the ADF

Audit Report No.13 1999–2000
Management of Major Equipment Acquisition Projects

Audit Report No.26 1999–2000
Army Individual Readiness Notice

Audit Report No.35 1999–2000
Retention of Military Personnel

Audit Report No.37 1999–2000
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